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## **Political Brawl in Berlin: Merkel Still at the Helm but Decidedly Weaker**

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### **Key Points:**

1. **German Chancellor Angela Merkel just survived what may have been the biggest challenge to her leadership since first coming to power in 2005.** After a tumultuous week that saw German Interior Minister and leader of the Bavarian Christian Social Union (CSU) Horst Seehofer and the Chancellor openly fight on the former's proposed migration plan in a brawl threatening to bring down the government, Angela Merkel has won a (short) reprieve until the European Council of 28<sup>th</sup> & 29<sup>th</sup> June.
2. **The perennial survivor, Merkel once again outmaneuvered and outsmarted her opposition,** shoring up her support within her own CDU before forcing a showdown on Seehofer's CSU. However, if the current CDU-CSU union within the grand coalition government (CDU-CSU and the social-democrats of the SPD) will probably survive this crisis, she comes out of it notably weakened.
3. **This internal German row on immigration will hijack an already high stakes European Council in Brussels.** Germany's domestic crisis and Merkel's need for support may paradoxically help French President Macron advance his vision for a more integrated eurozone core and its long over-due reform, when it looked pretty much still-borne only a few days ago.
4. French Economics and Finance Minister Bruno Le Maire commented on the "state of decomposition Europe was finding itself in" with countries trying to find "national solutions to problems that can only have European solutions". He reiterated the absolute necessity for the EU to move forward or face the risk of a slow disintegration, highlighting the challenge to reach a viable agreement over refugees, migrants, and asylum seekers to respond to the continent's populist wave and to address the Union's other pressing issues.

### **Angela Merkel: still at the helm, but seriously weakened:**

Last week saw tensions over immigration policies between German Interior Minister Horst Seehofer and Chancellor Angela Merkel escalate to the point of threatening the stability of the current German coalition government. Seehofer, who also leads the Bavarian CSU, defied Merkel and her CDU with a proposed immigration plan that would have closed Germany's borders to migrants previously registered as asylum-seekers in other EU countries. Merkel opposed Seehofer's plan as she thought it risked hastening the collapse of Europe's system of open frontiers by forcing Germany's neighbors to reimpose border controls.

After a weekend of intense negotiations that saw the Chancellor shore up her support internally, and marginalize Health Minister Jens Spahn who had voiced support for Seehofer, she was able to get Seehofer to compromise and bring a momentary end to the standoff that nearly toppled her government last week. But the compromise is little more than a pyrrhic victory, with Seehofer having agreed to give Merkel two weeks to reach a multilateral settlement on immigration during the upcoming EU summit.

The pressure is now on the Chancellor, who needs to bring back a (most unlikely) deal from Brussels on an issue, immigration, that has been seemingly unattainable for the past five years. Merkel may be able to at least seal bilateral deals on asylum with Italy, Greece, and possibly other member states, although a Europe-wide deal at next week's European Council summit is rather unlikely.

### **What next:**

If Angela Merkel has managed to momentarily overcome this crisis, she comes out of it clearly weakened, ahead of a European Council summit critical for the EU's future: Eurozone reform, digital taxation, Brexit, Poland and the rule of law, a trade war with Washington, the Union's next seven-year budget, and now immigration. This is an issue that has eluded a pan-European solution for the lifetime of the present Commission.

If Seehofer and his CSU are unhappy with the results of the summit, then last week's Berlin brawl is likely to come back to the fore unless the Chancellor abandons her resistance to the tougher immigration approach advocated by the CSU. If Seehofer enacts his so called "masterplan on asylum," he would likely force the Chancellor to fire him, leaving in turn the CSU with little alternative than to leave the government and bring down the coalition.

This remains an unlikely outcome as such a course would amount to political suicide for the CSU, leading the CDU to put up candidates in Bavaria to run against the CSU, something the CDU has refrained from doing for decades. This would squeeze the CSU between the center-right CDU and the far-right AfD. It would most certainly result in the CSU losing the absolute majority it has enjoyed in the Bavarian parliament since the creation of the Federal Republic, and even perhaps the majority altogether and do away with its outsized influence over Berlin politics.

Merkel appears nonetheless weaker than at any other moment since 2005. While she won this contest, Jens Spahn openly tried to rally the CDU's discontented around him to challenge her. He has so far failed, but is clearly waiting for the next occasion.

Paradoxically, the current crisis may help advance further EU economic integration and eurozone reform. This time, the German Chancellor is not coming to the negotiating table to graciously concede anything but will be looking for help to move the immigration issue forward. She may be more willing to concede on other fronts to get there, as illustrated by the preliminary agreement she reached with Emmanuel Macron on Tuesday on a set of reforms aimed at strengthening the European Union and the euro area.

In preparation of the European Union leaders on June 28<sup>th</sup>-29<sup>th</sup>, the German and French leaders agreed on Tuesday to create a eurozone budget charged with boosting investment in the bloc and promoting economic convergence. In the Chancellor's words, this package is "an important step for Europe that we now have to work on further" and get the other EU member states on board. Macron indicated the proposal will be presented to other partners with the goal of working out specifics by the end of this year that would take effect by 2021.

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