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Editors: Sławomir Dębski (PISM Director) • Katarzyna Staniewska (Managing Editor)
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Martin Schulz Stands as SPD's Candidate for Chancellor: Implications for Germany, the EU and Polish-German Relations

Jolanta Szymańska*

On 29 January, Martin Schulz became chairman of the Social Democrats (SPD) and its candidate for chancellor of Germany. Schulz will strengthen the leadership of the party and his nomination makes the election campaign more exciting. The moderate growth of SPD in the elections may determine the continuation of the grand coalition and the government of Chancellor Angela Merkel. However, a better result for SPD may open the way to other coalitions and put Schulz in the chancellor's office, which would entail a change in European politics in Germany. A change in the government and political scene in Germany would be a big challenge for Polish-German relations.

SPD's New Opening. Germany's Social Democrats (SPD) have put up Martin Schulz, the former president of the European Parliament, for election as chancellor with the hope of a marked increase in support at the polls and a good outcome from this year's elections. Since the first reports of a change of leadership of SPD, the first signs of rebirth have been seen: after months of a systematic decline in the polls, SPD has gained 5 p.p. (percentage points, currently at 26% support of the electorate) and since Tuesday when Schulz was announced, has gained more than 700 new members.

SPD is second in the polls to the governing Christian Democratic Union (CDU) and is the only party other than CDU that can both fight for victory in the elections and build a diverse coalition. If the Social Democrats win, they could form a government with a weaker CDU/CSU (Christian Social Union), or with the Greens and Die Linke. With a worse SPD result, a renewal of the CDU/CSU grand coalition is a possibility.

Schulz's leadership could change the SPD. He is considered a pragmatist and closer to the right-wing of the party, but in his speech on 29 January in front of SPD supporters, he used traditional Social Democrat slogans related to social rights and taxation justice. Schulz seems to want to restore the role of SPD to a time before the liberal reforms of Gerhard Schroeder to a party with a clear ideological profile, clearly distinguishing itself from the Christian Democrats and Liberals.

Schulz will have difficulty with a lack of contacts within his own party, relatively few trusted colleagues, and mistrust from the left wing of the party. Experts also note that Schulz is not familiar with domestic policy issues such as budget details, which in a confrontation with Merkel may work against him. She knows the fine points, which she likes to use in discussions with political opponents.

"More Europe," Eurozone Leap. Schulz is convinced of the crucial importance of the EU for the future of Germany and Europe. He believes that despite the crisis, the EU remains the only adequate response to the challenges of the 21st century. Even with Schulz's entry into national politics, European issues will probably remain one of priority areas of his political activity. Schulz's experience in the EP could result in even stronger German influence at the EU level.

Schulz is a European federalist. He sees the need for reform to strengthen the EU and stop the wave of right-wing populism. After the British EU referendum, together with Sigmar Gabriel he published "Europe neu Gründen,"

* Miłosława Fijałkowska, Sebastian Płóciennik and Patryk Toporowski contributed to this text.

a document that outlined a vision for EU reform after Brexit. One of their proposals is to replace the European Commission with a truly European government that would be responsible to a bicameral parliament (one democratically elected chamber and a second representing the Member States). This European government would gain true legitimacy and a mandate. They argue that EU citizens would feel they have an impact on EU policy. The competences of the European government and the Member States should be, according to Schulz, clearly separated so that citizens do not have any doubt about what they can expect from the Union.

The creation of a European supergovernment is a far-reaching idea. The concept, however, illustrates the direction of Schulz's thinking on the future of the EU integration project. So far, Chancellor Merkel has defended the concept of EU integration in a wide format, weakening the aspirations of some Member States for creating an "integration core." If Schulz replaces Merkel as Germany's leader or increases his influence on its government, he could change the state of play. Schulz would probably support the creation of transfer mechanisms within the monetary union or even a common budget for the eurozone. He would be against the participation of countries outside the zone in discussions on the eurozone's shape, which could result in what is called differentiated integration or even a so-called "two-speed" Europe.

For Schulz, three economic issues at the EU level are particularly important: opposition to austerity policies, the fight against tax evasion, and support for investment. The first issue is connected to loosening of the EU's Stability and Growth Pact, the introduction of solidarity mechanisms, and the convergence of national welfare systems and labour markets. On the fight against tax evasion Schulz has proposed greater harmonisation of fiscal policies among the Member States, notably the need for an end to tax rate competition between countries. In the past, he supported the introduction of a common tax, such as the financial transaction tax proposed during the negotiation of the EU budget for 2014–2020. It is doubtful, however, that after going on the national stage he would continue to propose the introduction of any EU-wide levy as it is deeply unpopular in Germany. In terms of boosting investment, he appreciates the role of industry, supports the so-called Juncker plan for EU investment and is interested in strengthening the pro-investment nature of the cohesion fund. He promotes the development of network infrastructure, including transport, energy and ICT (which in his view would strengthen the internal market).

On current political challenges such as Brexit or mass migration, Schulz's position so far has not differed substantially from Merkel's position. However, his rhetoric may toughen on these issues now that he is campaigning on the national level. The first sign of this change was Sunday's speech, in which he strongly criticized the lack of European solidarity in the face of the mass-migration crisis. He clearly supports the idea of refugee re-distribution across the EU Member States, even threatening to slash EU funding for countries avoiding this obligation. On the negotiations with the UK, he takes a harder line than Merkel, stressing that too many concessions from the EU would encourage other countries to hold similar referendums. He specifically excludes the idea of a Europe "à la carte," stressing that the "four freedoms" of the EU single market are inseparable. His position does not rule out compromise with the British, however. His position is that the future agreement should enable the EU and the UK to still work closely together on numerous, common challenges.

Impact on German-Polish Relations. From Poland's point of view, it would be best if Schulz's leadership of SPD strengthened the party in a moderate manner but allows for the continuation of the grand coalition. A scenario in which SPD achieves a much better result than current polls predict and builds a coalition with Die Linke and the Green party with Schulz as chancellor is possible but would entail many challenges for Poland.

The most serious challenge is his plan to link EU budget planning (on common agricultural policy and structural funds) to Member States' openness to refugee quotas. In this context, in his speech on 29 January, Schulz criticized Hungary's restrictive immigration policy. Poland was not mentioned but his speech leaves no doubt that he also addressed his words to the government in Warsaw. It is expected that to increase pressure on Poland to take in refugees, a German government led by SPD would leverage the crisis concerning Poland's Constitutional Court.

Another challenge would be the economic policy of a left-wing government marked by higher transfers, taxes on its wealthiest residents, an augmented minimum wage, or protection of the labour market against foreign competition. There also may be no exception made to the country's minimum wage for Polish firms with workers operating in Germany) nor a less restrictive approach on posted workers. An SPD-led government's economic policy may also affect the structure of the eurozone, such as the introduction of common bonds, common unemployment insurance, and a separate budget for the monetary union. For Poland, this would entail the risk of the "two-speed" Europe.

Strengthening the SPD could also change German policy towards Russia. In party are many supporters of easing and even lifting the sanctions connected to Russia's aggression against Ukraine and annexation of Crimea. Schulz's position in the case is closer to Merkel's, but he will have to consider the opinions of the pro-Russia groups in both his party and potential coalition partner Die Linke.