

# **AUSTRALIAN POLITICAL EXCHANGE COUNCIL**

## **INDIVIDUAL STUDY TOUR TO GERMANY**

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## **Executive Summary**

The negotiation of a coalition agreement between the Social Democratic Party of Germany (SPD), the Christian Democratic Union (CDU) and Christian Social Union (CSU) was well underway when I arrived in Berlin in November 2013. The outcome of those negotiations is now well known, but it was instructive to have observed those events which led to the formation of a new 'grand coalition' and, consequently, a new German Government. It was a timely opportunity to better understand the views of participants in the coalition-building process and to observe something of the reaction of media commentators, constituent units of relevant parties and the electorate.

Exploring the mechanics of these arrangements, the implications for member participation within the SPD and other progressive parties and the broad parameters of debate of key contemporary public policy issues in Germany were the objectives of my visit and are the subjects of this report.

The visit enabled me to observe a ballot process within the membership of the SPD, the outcome of which was far from predictable. I observed the detailed processes undertaken by the party to engage with its membership through regional dialogue conducted nationwide and a quite transparent negotiation process. I was struck by the level of member participation in the ballot and the strong support for the settled coalition agreement across the party despite a shaky start to the process.

Immediately prior to my visit, a resolution of the SPD conference had opened up opportunities for other coalitions to be formed in future. Previously, the party had not agreed to the prospects of a coalition including, for instance, Die Linke. I had the opportunity to discuss this quite topical issue with representatives of two of the major progressive parties.

Finally, the visit enabled me to better understand the dynamics of some of the key public policy debates being raised in Germany at present. The coalition agreement brought many of these issues, raised during the election campaign, to the fore. The agreement effectively forms the framework for the Bundestag's legislative agenda during this term. Like many others, I will watch with interest to see how the terms of that agreement are implemented, particularly in respect of sensitive and topical questions such as the minimum wage and renewable energy policy.

## **Introduction and Acknowledgements**

Shortly before I arrived in Berlin, a conference of the SPD had determined that the party would proceed with negotiations with the CDU and the CSU to explore formation of a new grand coalition. The SPD had entered into a comparable coalition in 2005 and experienced a significant decline in support at the 2009 poll. The junior partner of the 2009 coalition with the CDU, the Free Democratic Party, also suffered a collapse in its vote at this year's election, failing to reach even the five per cent threshold required to get into parliament. It was with some apprehension, therefore, that both the SPD's executive and the party's membership embarked on this new process.

A number of other important developments surrounded the negotiation of the agreement; a member ballot process within the SPD and a significant resolution of that party's conference which seems to have paved the way for coalitions of a different political hue in future. During my brief visit, I was interested in understanding further:

- the way in which member engagement in the ratification of the coalition agreement was undertaken by the SPD and the impact of that process on the party;
- the implications of the coalition agreement and the consultations surrounding it for future coalition-building and the prospects of a future progressive coalition; and
- the way in which key public policy debates were addressed during the course of the election campaign and indications of their future direction.

My thanks to those political parties and individuals with whom I met, particularly those representatives of the SPD at Willy Brandt Haus who were managing the finely balanced member ballot process but who nonetheless took time to speak with me in the midst of their other considerable responsibilities. I am very grateful to the Australian Political Exchange Council for the opportunity to undertake this visit and to its secretariat staff for their assistance in making arrangements for the visit at an especially busy time of year. My thanks to the Australian Labor Party for nominating me to participate in the Australian Political Exchange Council delegation programme. I hope that the contacts I have made during the course of my visit may be of assistance to future delegations and in furthering the exchange of ideas.

During the course of my visit, I was pleased to have met with representatives of the SPD at both a national and regional level. I was also grateful for the opportunity to meet with a representative of Die Linke, polling consultants, an academic commentator and to have visited the Bundestag on the day of the announcement of the ballot outcome and while parliamentary faction meetings were underway. I also note that approaches were made to the Friedrich Ebert Stiftung and Das Progressive Zentrum but, regrettably, it was not possible to arrange meetings with those organisations at the time of my visit. I have not identified individual meeting participants by name in this report, recognising that they were candid in their remarks on potentially sensitive topics. Details of those with whom I met have been provided to the Australian Political Exchange Council Secretariat separately for the purpose of assisting any future delegations.

## **SPD Member Consultations and the Ballot Process**

I had meetings with representatives of the SPD's international unit and its campaign team in the national office in Berlin, which is the base for several hundred of the thousand or more party staff employed around the country. Those meetings were held while negotiation of the terms of the coalition agreement were still taking place and media reports at that stage suggested that the negotiations may not yield a workable agreement capable of being ratified. The discussions allowed me to better understand the historical context of the negotiations, the electoral aftermath of the previous grand coalition and the dynamics of the party's engagement with its membership since that time.

After the last coalition arrangement, the SPD had suffered an electoral blow. In the aftermath, it embarked on a campaign which invited constructive feedback from members of the public. I understand that the campaign yielded a very significant response from the public which far exceeded the party's initial expectations. Following this, the party commenced a series of regional conferences to develop this process further. It is against this background that the highly consultative ratification process for a coalition agreement was developed.

During my meetings with the SPD's national office, I was taken through the process that would be implemented in the event that an agreement was reached between the CDU, CSU and SPD and ratification by the party's approximately 475,000 members was required. This is outlined below. While at that time of our discussions there appeared not to have been a significant influx of new members, it seems that at the end of the ratification process, the SPD had taken on around 2,500 new members nationally. In later discussions with one of the party's regional units in Hamburg, I learned that there had been a notable increase in local membership and that members were enthusiastic about future similar processes being conducted at a regional level.

A coalition agreement was struck early on 27 November 2013 after protracted negotiations. The agreement was subsequently approved by a conference of CDU members and at the same time was subject to the very detailed process which had been set down by the SPD under the leadership of Sigmar Gabriel. A postal ballot of the SPD's full membership was conducted. Each member received a copy of the long form agreement, a summarised agreement and a special edition of the party's newspaper with their ballot papers. This was followed with a regional 'roadshow' to allow members to ask direct questions of members of the negotiating team about the basis upon which certain negotiated outcomes had been reached.

The timetable for the roadshow was extremely tight and consultations were ultimately held across more than 30 cities and regional centres. Local members were also encouraged to continue discussions in branches within their regions. A quorum of 20 per cent of members was required and there was some concern that this might not be achieved. The postal ballot was overseen by a notary and undertaken with a view to the result being known by 14 December, with the prospect of a new chancellor being sworn in by 17 December.

During the time that the roadshow process was underway, I visited a professor of social policy at the Catholic University of Eichstatt-Ingolstadt. He had provided public comment on the coalition agreement and its implications for the SPD. At that stage, he had anticipated a result in favour of the agreement though, like most commentators, had not banked on the result being quite as favourable as that which eventuated or that the turnout would reach the level that it did. Indeed, there was some concern amongst a number of those with whom I met that those sufficiently motivated to vote may be driven by opposition to the agreement, while those in support of the agreement may not turn out. All of those that I spoke with, including local political consultants observing the process, considered that there was no 'plan b' if the process failed. The prospects of an alternative coalition seemed slim and a second election would be extremely unpredictable and may still yield an unworkable result.

The eventual turnout for the SPD's member ballot was a significant 78 per cent of the total membership and the outcome of 76 per cent in favour and 24 per cent against was described by Sigmar Gabriel as 'a celebration of intra-party democracy'. Interestingly, the mechanics of member ratification are not entirely a creature of the SPD's statute, but have largely been determined for the purposes of this particular set of circumstances. I recognise that they were both time consuming and costly to implement, but appear to have been a very worthwhile exercise for the party and reflect the SPD executive's understanding of member expectations, particularly following the somewhat bruising experience of the previous Grand Coalition. It is fitting also that in its 150<sup>th</sup> year of operation as a political party, the SPD should take an opportunity to reinvigorate its membership.

The negotiated agreement has been discussed in national and international media, and its content is well known. The SPD had begun the process with a list of ten conditions set by a convention comprised of party delegates. These included the minimum wage; improved nursing care; a quota for women on company boards; provision for dual citizenship; increased financing for infrastructure, communities and education; an economic growth strategy for Europe and a financial transactions tax. The negotiated agreement included provision for a minimum wage of 8,50 Euros per hour, together with a number of other measures which featured in the SPD's conditions. The agreement also restricts new taxation measures, an outcome pursued by the CDU. A number of those with whom I spoke mentioned that the agreement has taken a 'business as usual' approach in relation to Europe, with few significant reforms. While the agreement effectively forms the skeleton of the legislative and policy program of the new Government for much of the term, it appears there will likely be some points of friction amongst coalition parties.

At the time of these discussions, the SPD had not noticed a significant change in voter sentiments associated with the prospects of a new grand coalition. None of the prospective coalition parties appeared to have seen a significant change in their polling during that time. Though its accuracy was obviously questionable, a small poll of self-identified SPD voters taken prior to the ballot process published in *Welt am Sonntag* had indicated that around 78 per cent of such voters supported the coalition agreement and 19 per cent were opposed. How SPD and other voters perceive the operation of the grand coalition in 2014 and at the end of the term will be interesting to see, particularly in view of the effects of previous coalitions on so-called 'junior partners'.

Germany's political system is highly regionalised, with the historical and industrial/agrarian contexts of its regions still weighing heavily in election outcomes across the country. These have produced a wide variety of results for the major parties. It is perhaps unsurprising then that the SPD's campaign apparatus gives a high degree of flexibility to the regions to develop their own campaigns. This also seeks to draw on the campaign experience of long-standing members in those regions. I had a good opportunity to understand more about this during my visit to Hamburg to meet with a senior official of the SPD for that region and his colleagues. Hamburg is home to three universities, has a considerable degree of youth engagement in local political debate and the SPD has fared well in regional elections. Traditionally, the SPD has been successful in Hamburg, though it had lost ground in 2008. A strong local campaign in the most recent regional elections and the earlier collapse of a CDU-Green coalition in the region yielded a positive result for the party. I learned about key campaign issues resonating in the region and the way in which member participation in the ballot process and in the election campaign in general had impacted upon the party's organisation locally.

### **Progressive Coalition-building and Public Policy Debates**

During the SPD's party congress at Leipzig in early November 2013, the way was also paved for the prospects of a future progressive coalition. Its effect is that no coalitions would in future be ruled out by the SPD, with the exception of those involving extreme right wing parties. While there remain significant areas of contention between the various progressive parties, not least of which are in respect of foreign affairs and defence, the move was a significant one for future elections and usefully timed in the context of the ongoing negotiations with the CDU and CSU. Currently, the SPD, Greens and Linke would have a combined 320 votes in the Bundestag, while the CDU and CSU hold 311.

On the question of a possible future progressive coalition, the academic with whom I met did not consider that the prospects of such a coalition would sit comfortably with all members of the SPD, but he suspected that such a coalition would eventuate in future. It was a view shared by several of the commentators that I spoke with that the German public had seemed to want a progressive policy agenda without necessarily a change of chancellor. Similarly, some of those with whom I spoke shared the view that the German public seem to prefer consensus building through coalitions. This may, however, mean that smaller parties with more extreme policy positions may in future end up being

accommodated through a coalition process. Arguably, a much reduced opposition may also be detrimental to the development of good public policy. The consensus model seems set to continue, however.

After the finalisation of the coalition arrangements and the swearing in of the new Government, I had the opportunity to meet with a representative of the international unit of Die Linke. I was particularly interested in understanding how the parties not joined in the coalition would proceed in the Bundestag with the weight of numbers so heavily stacked against them. I understood from my visit to the Bundestag that it was anticipated that there would most likely be some adjustments to procedural arrangements to enable the opposition parties to have more time allocated to them in proceedings in the chamber, for instance. Time for debates would otherwise be allotted on the basis of the proportion of votes in the chamber, which would seem to be almost unworkable given that coalition members would constitute 504 out of the total of 631 votes in the Bundestag.

Broadly, I expect that both the Greens and Linke will seek to scrutinise the implementation of the coalition agreement. Given the composition of the Bundestag, however, it may prove difficult for both of those parties to act as an effective opposition. The introduction of a minimum wage was something that both Die Linke and the SPD had pursued both during the election campaign, for instance. I expect that, amongst other things, Die Linke will scrutinise the way in which this key measure is delivered under the coalition agreement. How both Die Linke and The Greens will conduct their affairs in the operation of the Bundestag will be seen in the New Year.

A number of those people that I spoke with indicated that the election campaign had not focused in any significant way on matters concerning EU politics or finances, which was surprising considering the ongoing impacts of the financial crisis in the region. Though the SPD and Die Linke had each sought to address this during the campaign, I understand that it did not feature significantly in broader debate in the regions. This seems to have been reflected in the coalition agreement, which is relatively quiet on these issues and which a number of those that I spoke to suggested had taken a 'business-as-usual' approach. Some of those that I spoke to felt that this had the potential to open up the field further for EU oppositionists and fringe parties.

Renewable energy was also a key focus of the SPD and energy policy will inevitably continue to be a dominant issue for the party with Sigmar Gabriel taking on the energy portfolio as one of his areas of responsibility. Under the new agreement, Germany will continue its transition away from nuclear to renewable energy, though subsidy arrangements for renewables producers will be altered. The agreement provides that nuclear energy will be phased out by 2022. It also provides for renewable energy corridors with increased renewable energy targets. A strong public desire to see the phasing out of nuclear energy and a move to a sustainable energy footing is still evident in the aftermath of the Fukushima nuclear accident. Managing the transition of older fossil fuel driven industries will continue to be a challenge both economically and politically. Germany continues to be a strong driver of renewables targets and related innovation both in Europe and worldwide.

## **Conclusion**

In the short term, engagement of members through ratification of the coalition agreement appears to have been a success for the SPD. It has responded to members' concerns about the policy and electoral consequences of the previous grand coalition and it appears to have engaged an overwhelming majority of the party's membership. It has increased its membership in the short term at least and generated constructive debate. For a party which had suffered a decline in its polling support in recent history, this has been a very positive result.

I was struck most by the fact that the process could at any stage have yielded a very different result. The fate of the agreement was truly in the hands of members. It remains to be seen whether there may be

broader electoral or campaigning benefits and whether the SPD is perceived more favourably by virtue of the process.

The decision of the SPD's party congress at Leipzig in November has opened up opportunities for broader coalitions in future and may yield a future progressive coalition. In the meantime, it is a useful reminder to the major parties that other coalitions might be possible. Significant points of departure in public policy together with historical differences between progressive parties mean that this seems unlikely to eventuate in the short term, however.

To have had the opportunity to observe some of the mechanics which have led to the formation of a new German Government in somewhat unusual circumstances was a very valuable and timely experience. I have learned much from the visit and it has given me cause to think further about political parties' candour with, and engagement of, members. Once again, I am grateful for having been nominated to make the visit.