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The FDP as a Partner in the German Coalition Government: European Policy Perspective

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There is a good chance that the liberal Free Democratic Party (FDP) will win seats in the Bundestag during Germany's September general election. European policy issues, including reform of EU institutions, deepening of integration, a multi-speed Europe, and the continuation of a restrictive financial approach in the eurozone, are an important part of the party's agenda. If the FDP creates a coalition government with the Christian Democratic Union and Christian Social Union (CDU/CSU), these ideas could provoke some tension in Germany's relations with its EU partners.

The orientation of German politics in the next four years will be determined not only by the outcome of the competition between the two major political parties—the CDU/CSU and the Social Democratic Party (SDP). The results of smaller parties will also be important, as they could be decisive for the final shape of a new coalition government.

Among them, special attention should be paid to the Free Democratic Party (FDP), which can count on 8–10% of the vote and the third largest representation in parliament, bringing liberals back to the Bundestag after their 2013 election defeat. The party has used the parliamentary recess to elect new leadership, improve communication with voters, and refresh its programme. In addition to postulates of economic reforms and tightening migration policy, the FDP has also voiced proposals in the sphere of European integration. The party wants deep institutional reform, diversification of integration speeds, and tough financial discipline in the eurozone.

Integration: Deepened and Diversified. The liberals do not accept the current form of decision-making in the European Union, which is based predominantly on arduous negotiations between national governments. Rather than correcting this method, the FDP proposes a radical change by strengthening the role of the European Parliament as legislative body, and transforming the EU Council into a “higher chamber.” It also wants to streamline the European Commission’s work by reducing the number of commissioners to 16 and applying the subsidiarity principle consistently. The FDP argues that this system would be more effective and have much stronger democratic legitimacy than the current model.

In addition to institutional reform, the FDP is gearing up for a “multi-speed Europe,” which should enable faster integration within smaller groups of interested Member States. This method could help to boost long-term, sophisticated projects such as a common European army and common foreign policy, and may also be employed to break the current impasse on the migration crisis. Such a structure, argues the party, would prevent disputes between Member States from paralysing the Union’s capacity for change.

More efficient integration is not an end in itself. The FDP sees the EU as an internally coherent grouping, capable of fostering its own interests vis-à-vis third countries—a goal that also corresponds to the increasingly global ambitions of Germany itself. This way of thinking can be seen, for example, in the reluctance of the FDP to make concessions to the United Kingdom on the terms of Brexit, and to continue

accession negotiations with Turkey. It is even clearer in the party's controversial ideas for Russia and the United States. The FDP would like to freeze the Crimean issue in return for concessions from Russia in other areas, and to penalise the country with new EU sanctions and German withdrawal from the Nord Stream 2 pipeline project if the Kremlin were to disagree. Regarding the United States, the FDP emphasises the importance of transatlantic relations, but simultaneously demonstrates an intransigent stance on trade and has even suggested attempts to isolate President Donald Trump politically.

A Strong Euro. The FDP's European policy vision is complemented by a principled position on the functioning of the eurozone. The party demands a continued restrictive policy towards Greece, with the goal of guaranteeing that Athens fulfils its public finance and structural reform obligations. Failure to do so would lead to a German refusal to finance further aid programmes, forcing Greece to leave the monetary union.

The FDP is also openly reluctant to accept any eurozone fiscal reforms that "go too far." Party leader Christian Lindner supports the creation of the position of joint minister of finance, however, but would focus mainly on budget discipline rather than managing financial transfers. Some ideas raised in the European debate, such as debt pooling, risk sharing by the issuance of Eurobonds, a large common budget of the eurozone, and automatic financial assistance mechanisms for countries in crisis, are hardly acceptable to the FDP. A possible compromise could be the further development of the Juncker plan as a common instrument for promoting investment in the Member States. But, in general, opportunities to accelerate economic growth in the eurozone should, from the FDP perspective, be sought not so much in fiscal union instruments, but in the improvement of the single market, the elimination of competition barriers and the reduction of state interventionism.

Challenges for the Coalition. A good result by the FDP in the forthcoming election will strengthen the vision of integration linking the goal of a political union, economic liberalism, and fiscal conservatism in the German debate on Europe. Its significance would increase further should the CDU/CSU win (as expected) and depart from continuing the "grand coalition" with the SPD in favour of seeking partners among the smaller parties. A good election result for the FDP would make the party a much more attractive coalition proposition than the Greens, weakened by divisions. Moreover, convention suggests that the smaller partner in the coalition will take over the foreign ministry, thus significantly enhancing its influence in European politics. In this way, liberal politicians such as Walter Scheel, Hans-Dietrich Genscher, Klaus Kinkel and Guido Westerwelle have made their mark in the German history.

For Angela Merkel's CDU, setting a joint course with the FDP should not be too much of a challenge. In many areas, especially economics, the parties' positions are similar. They also have considerable space for mutual concessions in Germany's domestic politics. Nevertheless, following the FDP's European ambitions would cause serious dilemmas for the CDU/CSU. The biggest problem is that the FDP's plans do not take into account differences in interests within the EU itself. As a consequence, potential allies in one area are at the same time intrusive opponents in others. The question arises, of with whom, and under what conditions, could a coalition agenda incorporating the FDP's be implemented.

This dilemma is clearly visible on the example of Germany's relationship with France. The FDP proposes integration based on justifications that are potentially close to the political ideas popular now in Paris. This is less about the traditional perception of the EU as a project for peace in Europe, and more an answer to the problems of globalisation and Europe's loss of influence in the world. In this perspective, the EU is a tool for European governments to strengthen their global competitive position vis-à-vis the United States, China, and Russia, thus the need to deepen integration, streamline the decision-making system, and enforce a "multi-speed" Europe. The proximity of the FDP to French President Emmanuel Macron's camp is, however, undermined by the former's uncompromising position on the eurozone, the regulation of the single market, and the alignment of social standards in the European Union.

The second source of tension may be relations with Central European countries. At first glance, the FDP would be able to get their support for their vision of an open European economy, with a less regulated single market and conservative financial policy. However, many CE EU Member States can refuse to support the FDP's desire for institutional reform in the EU, which for many societies of the region goes too far in terms of transferring competence to transnational level. Even more problematic is the concept of a "multi-speed" Europe, which raises suspicions that wealthier states are going to separate themselves from the less prosperous ones and undermine the political effects of the enlargement of the EU. Countries such as Poland, Estonia, Lithuania, and Latvia will be further discouraged by ideas to modify the sanctions policy towards Russia, and by the FDP's ambiguous stance on cooperation with the current U.S. administration.