

What a Jamaica coalition could mean for Eurozone reform



Negotiations are continuing between German parties over the formation of the country's next government. While there has been speculation that talks could drag on as late as next year, the most likely outcome remains a 'Jamaica coalition' between Angela Merkel's CDU/CSU, the liberal FDP, and the Greens. [John Ryan](#) outlines why a Jamaica coalition could make Eurozone reform less likely, and why it could make it more difficult for Angela Merkel to reach a compromise with French President Emmanuel Macron on a future path for the EU.



Angela Merkel and Emmanuel Macron in a joint press conference in June, Credit: [European Council](#) (CC BY-NC-ND 2.0)

A three-way coalition with the colours of the Jamaican flag – the CDU/CSU, FDP and the Greens – remains the most likely government formation in Germany following the 2017 elections. Such a three-party Jamaica pact has existed since June 2017 in the Schleswig-Holstein region. Despite their origins as a left-wing environmentalist party, the Greens have moved increasingly to the centre of Germany's political landscape and have become a realistic coalition partner for the CDU/CSU.

However, tensions between Merkel's Bavarian ally the CSU and the Greens over migration policy make such a coalition difficult. If Merkel were to lead such a Jamaica coalition it would show how far the Christian Democrats have moved to the centre, if not to a soft left, under the chancellor's leadership. But while still technically the most likely outcome, the task of tempting Greens, Christian Democrats, out-of-sorts Bavarians and pro-market Free Democrats into an alliance — let alone keeping them there — looks like an uphill struggle. Even if it works, the resulting Cabinet tensions will be massive.

A minority government is an outside possibility if neither the Greens nor the FDP agree to a coalition with the CDU/CSU. Merkel could also form a minority government, supported by all three of the FDP, the Greens and the SPD. This would be a first at the federal level, and would make governing a lot harder for her, as she would have to find changing majorities for her policies. In times of crisis, however, she would be able to count on the FDP, the Greens and the SPD to back her – as the SPD did for example during the Eurozone crisis, when Merkel's black-yellow coalition at the time failed to get a majority for the second Greece bailout. A minority government would also allow the Greens, the SPD and the FDP to maintain an independent profile, and its leaders to fight the CDU/CSU from the opposition benches in 2021.

Eurozone reform

A coalition between the CDU/CSU, FDP and Greens would make Eurozone reform less likely. It would push the CDU/CSU to double down on its calls for fiscal discipline. FDP leader Christian Lindner has claimed the finance ministry for his party and considering Lindner's statements in the election campaign, not much has changed in the FDP's tough position on Greece. Lindner believes Greece should exit the Eurozone – without losing its EU membership. He is also sceptical about French plans for a billion-euro budget for the Eurozone. The Greens have embraced French president Emmanuel Macron's reform proposals; they want an end to austerity and a European 'investment offensive'.

Macron wants a common Eurozone budget, a European finance minister and a Eurozone parliament, and he thinks Germany and the EU should boost investment. The CDU/CSU, however, are sceptical of France's plans. It places a premium on adherence to the Eurozone's fiscal rules and opposes proposals that could usher in debt mutualisation. Lindner has warned that there should be no "friendly gifts" to Macron that threaten European stability. But Merkel knows that Germany and France need to work together closely to provide the leadership Europe needs. Her next coalition partner(s) will determine whether she has enough leeway to compromise with the French.

When Macron spoke on 26 September, only two days after the German election, about deeper Eurozone integration, he was aware that his words would be scrutinised. Even before the German federal election, Berlin had ruled out Eurobonds – shared borrowing across the Eurozone. Germany also puts more emphasis on enforcing financial rules in its discussions about a European monetary fund, a vehicle to replace the existing bailout mechanism.

Macron acknowledged these concerns in his speech, saying Eurozone reform was "not about mutualising our past debts or solving the financial problems of one country". In a defiant message to the FDP, which had warned of "red lines" during the same week, Macron said: "I don't have red lines, I only have horizons." Macron was nevertheless cautious on Eurozone reform, which reflected the new reality after the German elections. The European commission in early December 2017 will publish proposals for a Eurozone finance minister and other reforms. EU leaders will discuss the ideas at a summit later that month.

What comes next

The election mood in Germany is not going to disappear just yet. With another important state election in Lower Saxony scheduled for 15 October, the parties are maintaining their campaigns until the result. They have tried to avoid being seen to compromise too much as this would likely impede any substantial progress in upcoming coalition talks.

In the medium term, the proposed Jamaica coalition could collapse before the end of the four-year legislative period because Merkel will become weaker and find it difficult to manage her own party, never mind the CSU, FDP and Greens. The CDU/CSU and the Greens are worlds apart. Many positions of the libertarian FDP collide head-on with the socialised ideas of their potential partners. The CDU/CSU, FDP and Greens will start as an unwieldy coalition whose participants become exhausted and with relations strained, it may well break up. Then it is likely that Merkel will move into retirement leading to new elections and a new government.

This on-going uncertainty based on an unruly four party coalition means limited Eurozone reform and renewed tensions with France and countries like Greece who may be forced to exit the euro. And there is also the possibility of a hard Brexit because of benign neglect on behalf of the EU and the incapability of the UK to engage constructively because of internal conservative divisions.

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Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics.

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