

## HOW DOES GERMANY'S NEW COALITION GOVERNMENT AFFECT THE PHILIPPINES?

by *Uriel N. Galace*

For five months, Germany's government had been at a standstill. Angela Merkel, still reeling from a disastrous election showing, had struggled to form a working government. Her party, the center-right Christian Democratic Union (CDU), had won just 33 percent of the vote, down 9 percent from last time. Under the German political system, parties that win a plurality of seats in Parliament – known in Germany as the Bundestag – have to form a coalition agreement with other parties to construct a working majority.

After the collapse of her three-way coalition talks with The Greens and The Free Democrats in November, Merkel turned her attention to the center-left Social Democratic Party (SPD), Germany's other major political party and historically one of the CDU's biggest rivals. In March, after months of rancorous negotiations, the CDU – along with its Bavarian sister the Christian Social Union – officially formed a “grand coalition” with the SPD. Under the terms of the deal, Merkel will hand over the reins of the powerful Finance Ministry and Ministry of Foreign Affairs to the SPD in exchange for the formation of a functioning government.

With the uncertainty in Berlin finally over and the German government set to operate once again, it is worthwhile to ask: how will Germany's new coalition government affect the rest of the world – particularly the Philippines?

### *Analyzing the Coalition Government*

Despite their competing ideologies, the centrist CDU and SPD parties still share many common interests. For one, they agree on the urgency of resuscitating the European Union (EU). In a 177-page document that lays out the policies of the coalition agreement, the chapter on Europe occupies the first five pages, highlighting the importance the new government attaches to the EU. In the paper, the two parties proposed to [strengthen the European Parliament and create a European Monetary Fund to protect the Eurozone against financial crises](#). Moreover, they pledged to [increase Germany's contribution to the EU's budget as well as cooperate with Europe on defense and migration](#).

Following Brexit and the rise of far-right, anti-Establishment parties all over Europe, Berlin's strong show of support was a welcome sign for the EU, which will look to Merkel as a bedrock of stability in an otherwise tumultuous environment. In Germany, President [Emmanuel Macron of France may have found the partner he has been looking for to shore up the EU](#) as the intergovernmental organization continues to face withering assaults both from within and without. In this way, Germany and France have become the regional bloc's de facto leaders.

Furthermore, both parties, though deeply divided on the issue of immigration, have nevertheless been able to work out an agreement on a merit-based migration policy. Under their proposal, German immigration laws will look to [encourage skilled migration using criteria such as qualifications, age, and language skills](#). On the flip side, their blueprint also laid out a [benchmark of only 220,000 migrants per year](#). Whether that figure represents a guideline or a hard cap on the number of migrants admitted into Germany remains unclear.

Despite their wide-ranging consensus on a number of areas, economic policy continues to be the central issue in which the opposing parties strongly diverge. Under Merkel, [Germany had instituted business-friendly reforms that rolled back regulation and unleashed the economy](#). When [Merkel began her fourth term in March, unemployment in Germany was virtually nonexistent, stock prices were at all-time highs, and there was close to zero inflation](#). These policies came at the expense of German workers, however, who had seen downgrades in their job security and labor rights.

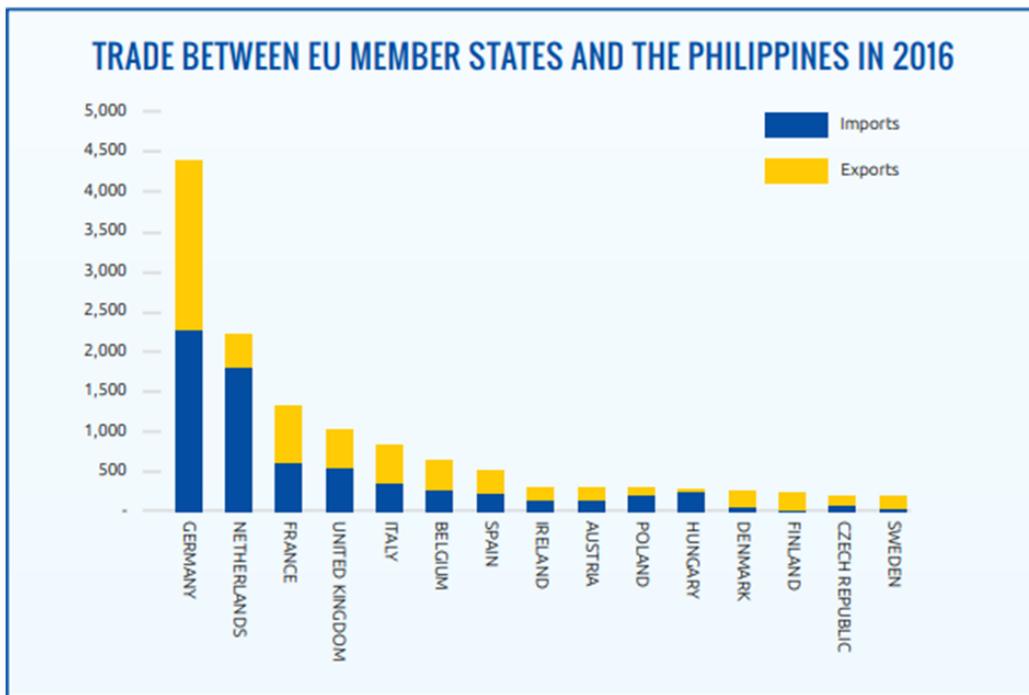
[Under this new power-sharing agreement, SDP will receive the influential Finance Ministry, through which they will almost certainly relax the strict austerity measures imposed by Wolfgang Schäuble, a Merkel ally, not only in Germany, but throughout Europe](#). Such policies will likely improve the lot of the working-class, who are likely to see more and stronger unions, greater job stability, and increases in their pensions. But these gains will come at the expense of the businesses that have taken advantage of lax labor regulations to serve as the engine for economic growth.

*Implications for the Philippines*

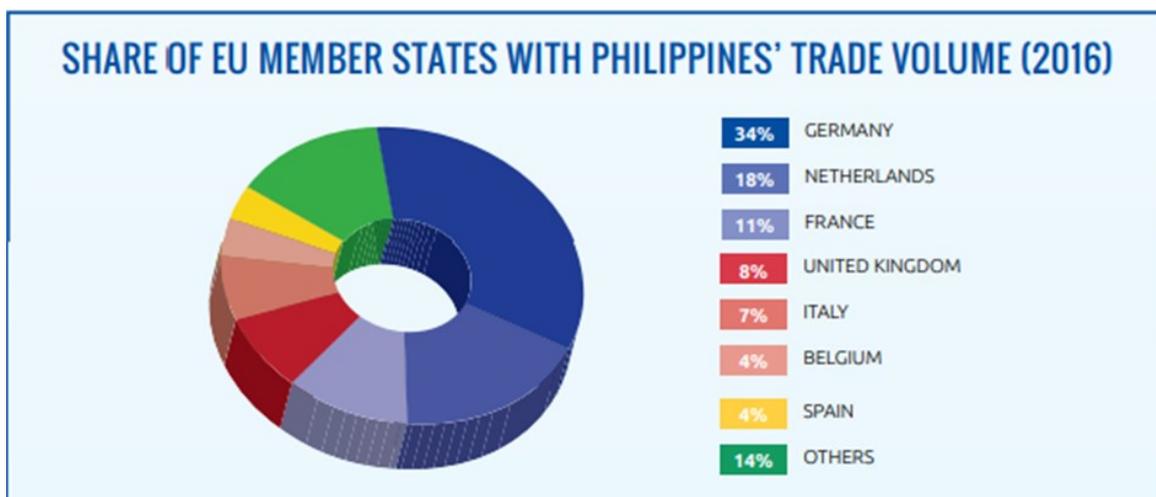
So how exactly will these political developments halfway across the globe impact the Philippines?

First of all, it is important to note that Germany is the Philippines’ biggest EU trading partner. Bilateral trade between the Philippines and Germany amounted to USD4.54B in 2016, or 31.8 percent of total trade with the EU, with a USD301.32M surplus for the Philippines. This is by far the largest figure among EU countries and almost double the second largest.

**Figure 1**



**Figure 2**



Source for data and graphs: EU-Philippines Trade & Investment 2017 / 2018

Second, the two countries have a longstanding history of diplomatic relations of over 60 years, dating back to 1955. The two countries have signed agreements on development cooperation and cultural exchange. In particular, [Germany is active in supporting “peace and conflict transformation” in the Philippines and funding projects on climate protection.](#)

Third, there are [47,214 Filipinos living in Germany](#) as of August 2016, many of which working as nurses or seamen on German ships. In 2013, these OFW’s sent back \$622.54M to the Philippines, accounting for 2.74% of total remittances. Consequently, Filipino migrant workers in Germany contribute greatly to the economy of both countries and serve to enhance people-to-people ties between the two nations.

For these reasons, the new coalition government in Germany – along with its new set of policies – will have significant implications for the Philippines and Filipinos living in Germany. In particular, Germany’s new merit-based labor migration policy will be a boon for skilled Filipino workers, who are generally young, well-educated, and fluent in English. Germany’s added financial support for the EU will also be good news for OFW’s living and working in other European countries, as the backing that Berlin provides to the EU will give added stability to the regional bloc. Finally, the expected relaxation of fiscal discipline on Eurozone economies by the German Finance Ministry will give European businesses the confidence to pursue new initiatives, increase investment spending, and by extension, employ additional workers.

In the end, Berlin’s grand coalition agreement ought to be greeted with a sigh of relief not only in Europe, but also in the Philippines. With a new German government in place, Philippine-German relations are not only likely to continue, but become even stronger in the years to come. 🌸

Uriel N. Galace is a Foreign Affairs Research Specialist with the Center for International Relations and Strategic Studies of the Foreign Service Institute.

Mr. Galace can be reached at [ungalace@fsi.gov.ph](mailto:ungalace@fsi.gov.ph)

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