

Geopolitical Corner

The Risk in Europe is Medium Term: Armin Laschet, The Canary in the Coal Mine, and European Populism

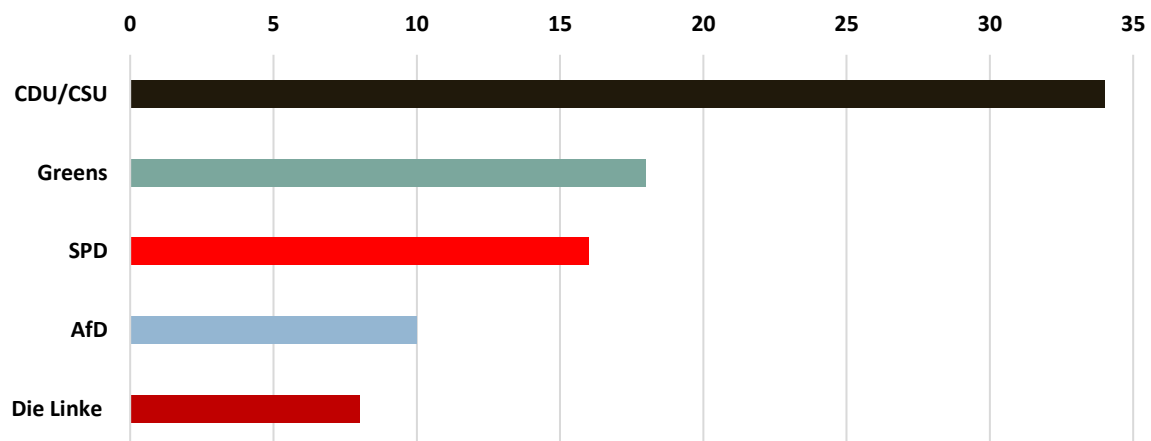
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Key Takeaways

- ✦ **CONTEXT:** After analysing [its implications for Europe's geopolitical position](#), in this report we discuss the election of Armin Laschet as new leader of the CDU within the context of the fight between populist parties and the establishment in Europe.
- ✦ **BOTTOM LINE:** Laschet's victory is the "canary in the coal-mine" in this fight. In the short run, it seems that populist forces have been tamed by the pandemic, with people looking for reassurance and protection in science and government. But once the socio-economic consequences of the pandemic will become evident, the populist narrative of the establishment having failed Europe's people, will likely re-gain ground. In effect, the European Commission has failed to accomplish its most important task regarding Europe's greatest crisis since 1945: To secure enough vaccines for its people.
- ✦ **POLITICAL IMPLICATIONS:** With the advent of Brexit, only three great powers remain in Europe: Germany, France, and Italy. If any of the three move towards a more populist direction, the European integration project would cease to exist. All three have near-future elections that seem to have populist forces currently in retreat, but able to potentially come back to the fore.
At a closer look, it is clear that Laschet—in political risk terms—functions far more like a canary in a coal mine, heralding first the surface resurgence of the European political elite, while instead—due to the huge and unthought-through political risk consequences of the European vaccine rollout debacle—instead serving as a grave warning that, into the medium term—European populism, far from being subdued, is gathering dangerous force.

Key Picture: A Grand Coalition Between The CDU/CSU and The Greens Is Likely After General Election



Source: Politico. Notes: Voting intentions for the September 2021 general election, expressed in percentage terms

Introduction: Germany as The Canary In The Coal Mine

Like many good English idioms, the phrase ‘Canary in the Coal Mine’ has an interesting history. Given the birds’ rapid heart rate (relative to humans), diminutive size, and high metabolism, canaries served as an early-warning industrial safety system for much of the Twentieth Century. The idea was to place a canary in a coal mine along with miners burrowing for coal. If there was carbon monoxide poison awaiting them at the bottom of a shaft, the birds would succumb first, giving the humans enough time to escape. The phrase expanded from this practical history, coming to mean an early, specific warning sign that lays out what is to happen to everyone at a later date.

The January election of the grey, centrist, Armin Laschet to head Germany’s dominant Christian Democratic Union (CDU) party in Germany amounts to one such analytical canary, as what politically happens next is bound to mirror similar situations in the other two great European powers, Italy and France. As will prove to be the case for the other two powers, Laschet’s ascent signals the immediate triumph of establishment European parties and the eclipsing of the populist threat to the European project.

However, upon closer inspection, Laschet and Germany truly amount to a canary in a coal mine for Europe. For if populism has been seen off in the near term, it is far from dead. Instead, looming like a specter over the feast—first in Germany but then also in Italy and France—populism is well placed in the medium term to take advantage of the copious failures of establishment parties, who will be shown to have definitively flunked the Covid-19 test, the political risk event of a generation. Laschet’s rise and the perils that await him, serve as a broader canary in a coal mine for the serious political risks that await Europe just a scant few years from now.

Merkel’s Temporary Victory

Laschet’s rise to power in Europe’s most important state is no accident. It was made clear to the hand-picked CDU functionaries that chose the new CDU leader (an extremely restricted franchise of just over 1000) that their heroine—the popular, outgoing Chancellor Angela Merkel—preferred the low-key centrist premier of North Rhine-Westphalia to his more right-wing and combative primary rival, Friedrich Merz. Astutely choosing the party’s popular, youthful, rightest rising star, Jens Spahn, as his Deputy Premier, Laschet won a closely-fought battle to take over Germany’s dominant party.

Echoing Merkel’s centrism set the stage for Laschet’s triumph for two basic political reasons. First, Merkel, given her striking popularity, is in the rare position to anoint a chosen heir to run her country; picking someone sharing her basic centrist instincts was always going to be her first choice.

Even more importantly, Laschet’s centrism makes the assembly of the next German coalition government far easier (with coalition government the inevitable outcome, given Germany’s proportional representation voting system). Polling has consistently made it clear that to assemble the strongest possible majority coalition in the Bundestag, the CDU/CSU will have to ally with the center-left Greens at the national level.

Having a centrist CDU leader makes such a tie-up far more ideologically palatable than if the CDU was coming at coalition-building from the right. Above all else, this centrist tactical advantage explains both Merkel’s support, as well as Laschet’s wider party buy-in; his centrism makes him the man to do the needed coalition deal, leaving the CDU in the strongest possible parliamentary position to govern following the upcoming September election.

Nor is the CDU’s triumph in the autumn of 2021 in much doubt. *Politico’s* March 1st poll of German polls found the CDU/CSU with 34% of the vote, the Greens well behind at 18%, the center-left SPD at 16%, with the populist far-right AfD at 10%, the populist far-left *Die Linke* at 8%, and the free-market-oriented Free

Democrats at 8%. It is clear that Merkel's enduring popularity is more than enough to get Laschet over the line in September. These polling numbers also make it clear that, at least for the moment, German establishment parties are polling at just over 80%, with the two populist parties in abeyance, at only around 18%.

Beyond this central political risk prediction, even its more unlikely analytical offshoots do very little to change the overall thrust of the analysis. If the CDU were to do badly in a series of spring *lander* state-wide elections, and if Laschet were to make a series of gaffes with the press, even his (by far) most likely replacement as CDU/CSU chancellor candidate—Bavaria's Christian Social Union Premier Markus Soeder—would not overturn our general political risk narrative.

Soeder, until now more popular and better-known than Laschet—has steered his more traditionally socially right-wing party (compared to the CDU) towards a more green-oriented view. Mirroring Merkel, he has steered them towards the center. As for the more right-wing (and more popular) Spahn, the future is his; he can afford to wait. In any case, Laschet is likely to be the chancellor-candidate. But even if he is not, the general political risk calculations made here hold.

And yet beyond all this immediate good news for Germany's establishment parties the canary in the coal mine is warbling a clear warning. What if Europe's vaccination drive to end the Covid-19 crisis continues to go wrong, as it is today? The health, economic, and social costs to Germany and Europe, already immense, will surely spill over into intense popular frustration with a German and European political elite that has undeniably failed its people.

At this point, and in the face of Laschet's centrism, the populist AfD and Die Linke will have a compelling story to tell. All the German establishment parties, clustered around the mushy center, have abjectly failed. Radical times demand radical measures and correspondingly radical parties. In betting against the glacially-slow vaccination campaign and the economic recovery to follow into the medium term, German populists have a clear way forward to upend Germany's seemingly stable establishment consensus.

European Politics Mirrors Germany's

At the macro level, the political risk matrix for Europe is crystal clear. With the advent of Brexit, there remain three great powers in Europe: Germany, France, and Italy. If any of the Big Three were to steer decisively in a populist direction the European project as we know it would be over. All three have key elections in the offing: The German parliamentary election in September of this year, the Italian parliament and key regional electors picking a new President of the Republic (the real cornerstone of the system) no later than January 2022, with the French presidential election in April-May 2022, and the parliamentary election in June 2022. In all three cases, in the short run, establishment forces are clearly in the ascendant. But, equally in all three, failure to master the ramifications of the pandemic leave each establishment power clearly vulnerable in the medium-run.

Echoing Laschet's advent as establishment savior, the recent rise to power of Mario Draghi as premier of Italy has, in the near term, routed the political chaos that was once again the wolf at Italy's door. Perhaps most importantly, given his world historical stature as the savior of the euro while former European Central Bank (ECB) chief, Draghi has been able to draw the populist poison from the Italian body politic, cauterizing the wound inflicted on the country by a generation's worth of Italian elite fecklessness.

Crucially, along with the more establishment parties, the populist Five Star Movement as well as the far-right League of Matteo Salvini decided to join Draghi's national unity government, with only Georgia Meloni's far-right Brothers of Italy disdaining to join Draghi in saving Italy. Draghi has managed to assemble a very broad governing coalition, convincing the rest of the country's major parties to support his premiership, a testament

to the unique respect in which he is held throughout Rome. A February 21st *La Repubblica* survey found that an impressive 85% of Italians polled approve of Draghi leading a new government.

To put it mildly, the problems immediately ahead of Draghi are immense. For a generation, amongst the great European powers, Italy has been the sick man of Europe, barely growing at all while proving stubbornly incapable of enacting the obvious structural reforms (in terms of its over-regulated, sclerotic economy, listless bureaucracy, and glacial judiciary) necessary to jumpstart its overall trajectory. The pandemic has made this already dangerous political risk situation far worse.

Draghi has been parachuted into the premiership to deal with three pressing issues. First, he must devise a comprehensive plan to wisely spend the massive 209 billion euros the EU as a whole has granted him through the European Recovery Fund. Draghi knows this is Italy's last, best chance to use a huge fiscal splurge to make its economy and society fit for purpose in the 21st century. He finds himself at the helm of a country that has an unemployment rate of nine percent in February 2021, with youth unemployment running at a dangerous 30%. Fully 440,000 jobs were lost in Italy in the plague year of 2020. Failure to spend collective EU money wisely this time around will compel Italy's reluctant northern benefactors to shut off the spending pump once and for all.

Second, the new Prime Minister is there to clear the logjams that have led Italy's vaccination campaign to slow to a crawl. Third, given his unique authority and present country-wide popularity, Draghi is seemingly perfectly placed to ram through much-needed structural reforms.

While the policy tasks ahead are daunting, Draghi has managed—in the creation of his very broad-based government - to politically both draw the poison from the immediate populist challenge to Italy's political establishment, as well as to garner a surprisingly high level of support for the country's establishment elite (given their shoddy record over the past generation) from the Italian people as a whole.

More or less, the same holds true as well in France, the last of the great European powers. Well into his first term, President Emmanuel Macron finds himself down, but far from out. A *Times of London* poll of polls found that Macron started his term with a healthy 57% support; 45 months into his term, this has shrunk to only 39% (while fully 59% of those polled disapprove of his leadership).

However, the French also seem on course to re-elect the ambitious French president in April-May 2022, viewing him once again as the least bad of the options before them. A January 28th *Politico* poll of polls finds that, if the first round of voting were held now, far-right populist Marine Le Pen would win 26% of the vote, with Macron just behind at 24%. Further back center-right *Les Republicain's* Xavier Bertrand is on 15%, with far-left populist Jean-Luc Melanchon from France Unbowed at 10%.

This first round populist triumph would be exceedingly short lived, as almost universally it is thought that Macron - in picking up almost all of the establishment candidate Bertrand's support, plus a percentage of Melanchon's far leftist (virulently anti-far-right) adherents—would manage to win a clean, if perilously close, victory in the second round, where only the two top candidates from the first round are on the ballot. A Harris poll taken at the end of January has Macron at 52% in the second round, with Le Pen just behind at 48%. So, for all that Macron's establishment luster has been tarnished, he remains (just) the man to beat in the French election, given the continued perceived toxic nature of far-right populist Marine Le Pen and her National Rally party.

The Political Risk Of The Pandemic

It is here that the already-described populist dangers to Laschet's establishment ascendancy function as a true political risk canary in a coal mine, having far greater resonance at the European level as a whole. For if the European-wide vaccine rollout spearheaded by the EU continues to move along at its present agonizingly slow pace, the health, economic, and social consequences will be huge, inevitably feeding over into the politics of Europe over the medium-term, once the immediate sugar rush of the continent re-opening is over.

There can be little doubt that this monumental political risk is looming, becoming more likely with each passing day. The European Commission has abjectly failed to accomplish its most important task regarding Europe's greatest crisis since 1945: To secure enough vaccines for its people. As of early March, so far only five percent of Germans and four percent of the French have been given a vaccine dose, to the disgust of its people; at the same time the UK has managed to vaccinate fully 32% of its population. A survey by Kekst CNC, a Munich-based consultancy, has found that only 18% of French polled and 23% of Germans were content with the vaccination process.

This glaring European failure to secure enough vaccines for its people—the fault of which can be primarily laid at the doors of Commission President Ursula Von der Leyen and her patron, German Chancellor Angela Merkel—will undoubtedly prolong lockdowns on the continent by months, delivering a further huge blow to already-weakened European economies. It was the Chancellor who insisted in June 2020 that Germany's competent Health Ministry hand over control of vaccine procurement to the European Commission. The EU, in typical glacial fashion, managed to order a vaccine developed in Germany (Pfizer BioNTech) about four months later than did the UK, and approve it one month after that. Such sclerotic delays are unlikely to be politically forgotten, given their huge health, economic, and social ramifications.

For Europe's economies were already on the edge. For 2020, the eurozone shrunk by 5 percent of GDP as a whole, with trendsetter Germany seeing its GDP shrink by the same amount. The French economy fared even worse, declining by 6.8 percent in 2020 (its worst result since World War II), while Italy nosedived by 8.8 percent, while its public debt has risen to a stratospheric 160% of GDP by the end of 2021. Further lockdowns, made necessary by grievous establishment policy errors, are the absolute last thing Europe needs. This will undoubtedly filter down to domestic politics, heightening serious European political risk in the medium run.

For Italy, the basic problem is that the country remains a political culture focused on personalities and not institutions. Draghi, surely the best the Italian establishment has to offer, remains just one man. Even if he proves able to spend the recovery money wisely and well and can prod the pace of vaccination along, it is highly unlikely he can truly make a dent in Italy's structural problems over the immediate term, as his policy plate is simply too full for even an able man and his staff to do so, during this time of crisis.

Worse, Draghi finds himself in the wrong job. Given the rickety nature of the Italian political system, it is the presidency, and not the premiership, that is where the real power in the system is increasingly lodged. Given its long, seven-year mandate, ability to dissolve parliament, as well as to shepherd into being Italian governments, it is only from the presidential perch that Draghi can hope, over the long term, to actually craft governments that can enact the structural economic reforms his country so desperately needs.

If Draghi merely stays on as Prime Minister until the next Italian parliamentary elections (in March 2023), he will have neither the time nor the institutional support to remake the Italian economy and bureaucracy. If he tries to shift to the presidency in January 2022 (succeeding Sergio Mattarella) he will have to hold off on any controversial reforms for the moment, while courting the parliamentary and regional electors that decide the

holder of the presidential office. Suffice it to say, that an ongoing, elite-generated economic crisis makes this political leap greatly more difficult.

Even over time, if Draghi is able to accomplish this political feat, far-right populist Georgia Meloni - whose Brothers of Italy party is the only force in Italian politics to have gained in popularity over this past year—will be waiting to pounce on any mistakes, as it has skillfully stayed out of government. A February 2021 *Politico* poll found the far-right League with 24% support, the center-left PD with 19%, the Brothers of Italy at 17% and the populist 5 Star Movement at 15%. If the League were to split over the tough policy tasks ahead for the Draghi government, in the medium run that leaves Italian populism well positioned to take on what remains of the country's establishment, particularly if the vaccine debacle continues.

France's establishment is, if anything, in even more peril in the medium-term. As is true with Italy (and unlike Germany), France's political parties function more as factions than as autonomous political forces on their own; for example, Macron's own *En Marche* party is largely just a vehicle to promote his specific views and interests. The inherent instability in relying only on one person is perhaps the greatest structural political risk inherent in both great powers.

Even before France's relatively poor handling of the vaccine distribution, Macron was a deeply unpopular president, sustained in power more by the general negative aversion to Le Pen's far-right toxicity, than by anything positive. As the 52-48% Harris poll attests to, this toxicity seems to be wearing thin. Think of it this way. Macron was only four points ahead of Le Pen in terms of second round French presidential voting preferences *before* the vaccine rollout debacle—with all its pernicious health, economic and social effects. What will things be like for Macron and the French political establishment after the devastating consequences are clear?

Either he limps home to a second-round victory in 2022, increasingly serving as a lame duck into the medium term, or he shockingly loses to Le Pen outright, in which case the European project is over. While the first outcome still remains (just) the more likely, what is not in doubt is that into the medium term, the French establishment will find itself under siege.

Conclusion: Our Canary Sings

So, Armin Laschet is a marker, after all. At first glance seeming to sum up the triumph of the European political establishment, after a closer look it is clear that Laschet—in political risk terms—functions far more like a canary in a coal mine, heralding first the surface resurgence of the European political elite, while instead—due to the huge and unthought-through political risk consequences of the European vaccine rollout debacle—instead serving as a grave warning that, into the medium term—European populism, far from being subdued, is instead gathering dangerous force.

*Biographical Notes

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