

German parties see momentum in coalition talks despite lingering divisions



German parties cited progress on Saturday after three weeks of talks about a three-way coalition, with their leaders due to thrash out remaining differences over transport and climate on Sunday.

Chancellor Angela Merkel's conservatives, which bled support to the far-right Alternative for Germany (AfD) in the Sept. 24 election, are trying to forge a coalition government with the pro-business Free Democrats (FDP) and the environmentalist Greens.

The chiefs of the parties huddled on Friday evening to review progress in the talks thus far but planned no statements.

They had initially hoped to agree on the outlines of a coalition deal by Friday after the two smaller parties dropped demands this week on tax and climate policy but later decided to meet again on Sunday before a final push by full delegations for an outline deal next week.

Still, the overall tone was more upbeat than at the end of the previous week.

"We're heading into the home stretch," Horst Seehofer, head of the Christian Social Union, the Bavarian sister party of Merkel's Christian Democrats (CDU), told reporters.

Seehofer and FDP leader Christian Lindner said they were optimistic that the exploratory talks could be wrapped up next week, paving the way for weeks of detailed negotiations about the exact terms of a coalition contract.

But Michael Kellner, a top negotiator for the Greens, demanded more compromises from the other parties.

The FDP this week gave ground by agreeing to accept more modest income tax cuts than a campaign pledge of 30-40 billion euros (\$35-46 billion) of relief.

In an interview with the German magazine Der Spiegel on Friday, Lindner also signalled a readiness to compromise on the euro zone's European Stability Mechanism, moving away from a campaign pledge to shut down the rescue fund.

The Greens for their part dropped their insistence on fixed dates for shutting down coal-fired power stations and banning cars with internal combustion engines.

But the parties remain divided on whether or not to push for a eurozone budget, on Europe's banking union and on the use of drones in military conflicts, as well as German participation in foreign military missions, according to draft papers seen by Reuters.

They must also agree how to meet key targets for reducing carbon dioxide emissions, how to deal with the pollution caused by diesel cars already on the road, and whether to introduce a law that would ease tax rates for venture capital projects.

If the parties fail to reach an agreement, Germany could be forced into a new election that could unsettle investors at a time when many in the European Union are looking to Europe's biggest economic power for leadership on issues ranging from eurozone governance to transatlantic relations.

Merkel, seeking a fourth term as chancellor, hopes to reach agreement in the exploratory talks by November 16.

She plans to take the broad outlines of what is agreed to key conservative party leaders in five meetings the following weekend, the CDU said.

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