



THE FREE STATE OF BAVARIA

THE END OF THE CSU'S SOVEREIGN DUCHY?

Kamil Frymark

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CENTRE FOR EASTERN STUDIES

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INTRODUCTION

The Christian Social Union (CSU) has ruled Bavaria continuously for sixty years. The CSU's domination of the state's political scene, together with its influence on federal policies through its partnership with the CDU in the Bundestag, has made the party one of the most effective groups in Europe. This was confirmed in the election to Bavaria's Landtag in October 2018, which the CSU has won once again. At the same time, the party is being confronted by other conservative groupings, mainly Alternative für Deutschland (AfD), which has a similar profile to the CSU in several aspects. This, combined with the outflow of similarly sized groups of voters to the AfD and to the Greens, as well as to *Freie Wähler*, means the CSU is facing a new challenge that involves creating a comprehensive political agenda without losing the party's conservative identity.

The purpose of this report is to present the place the CSU occupies on the political map of Germany and the importance of this grouping for Bavaria. It discusses the changes happening both within the CSU and in Bavaria itself and the possible scenarios for the development of the party and of the state. To study these processes, the author has mainly used the methodology of observing political developments and analysing documents published by the German government, as well as Bavaria's laws and documents compiled by the CSU. This has been complemented by interviews with German experts.

The text is divided into four parts. The first part contains an analysis of the relations between the CSU and the CDU and of the significance of the two parties' joint parliamentary group, alongside the possible consequences of the group's unity being broken. The second part discusses the main elements of the CSU's political programme and the changes happening within the party itself and among its voters, including in the context of the 2018 election to the Landtag. The third part presents Bavaria's foreign policy and the CSU's impact on how it is shaped. The final part discusses the main socio-economic challenges Bavaria is currently facing and the CSU's concepts of how to maintain the present pace of the state's development.

This report is not intended to present the situation of Bavaria and the CSU as a whole, but rather aims to shed light on what the author considers the most significant phenomena, processes and trends.

MAIN POINTS

- In the German federal system, Bavaria plays a special role. It is one of the most important states, generating around 20% of Germany's GDP, and the leader of the sixteen constituent federal states in negotiations between the states and the federation (for example, regarding federal subsidies in connection with the states' burden caused by the migration crisis). It is also the most active defender of states retaining their competences (such as in the fields of education and security), as well as the author of solutions which are then accepted by other states or the entire country. The economic clout of this state is rooted both in the dynamic growth of its GDP and the lowest unemployment figures in Germany for years, as well as Germany's largest companies being based in Bavaria and their international expansion. It is crucial for the state itself, as well as for the whole of Germany, that these trends are maintained, for reasons including the boost to the federal budget from its tax revenues, and its support for the less developed states with financial transfers.
- The CSU is the strongest regional party in Germany and the only one with its own representation in the Bundestag. The CSU's position at the federal level results from the fact that since 1949 it has had a joint parliamentary group with the CDU and that the Christian Democratic bloc composed of the CDU and the CSU has consistently received up to 20% of all votes cast for Christian Democratic parties in federal elections. The differences between the CSU and the CDU that exist both in their joint parliamentary grouping and in the government coalition sometimes force the CSU into playing the role of the opposition in their own government. At present, the keenest controversy is being raised by Chancellor Angela Merkel's migration policy which the CSU rejects. Despite repeated threats that the CSU might separate itself from the CDU, this is unlikely. If this threat is put into practice, the resulting situation would be unfavourable mainly for the CSU itself. It would result in the creation of a local CDU structure in Bavaria and would translate not only into the CSU losing its single majority in the Landtag, but also into the CSU's Bundestag caucus breaking up, which would lead to the disintegration of the party, and this is opposed by voters of both parties.
- The Landtag election held in October 2018 has confirmed the dominant position of the CSU on the Bavarian political scene. It has also pointed to increasing difficulties in forming a one-party government in Bavaria.

The party's worst result since 1949 (37%), combined with the outflow of similarly sized groups of voters to the Greens, the AfD and *Freie Wähler* (around 160,000-strong), means the CSU is facing one of its most difficult challenges in history. On the one hand, the CSU will try to expand its profile to include climate protection issues. On the other, it will be forced to defend its current conservative programme mainly in its rivalry with the AfD. As far as *Freie Wähler* are concerned, due to the fact that they co-form the post-election coalition in Bavaria and also due to their regional rather than federal nature, they pose a lesser threat to the CSU. In addition, the AfD's entry to Bavaria's Landtag, the good result scored by *Freie Wähler* and the return of the FDP all have contributed to a fragmentation of the Bavarian political scene. In the medium term, this will prevent the CSU from building a majority position.

- What is at stake in the CSU's rivalry with the AfD is not only maintaining the CSU's dominant position in Bavaria, but also confirming the CSU's current importance as the most significant party with a conservative profile on the German political scene as a whole. The CSU treats all groupings that are positioned further right on the political scene as undemocratic and extremist. The political rapprochement between the CDU and the SPD and the Greens (which began in 2005, during Angela Merkel's first term as chancellor) has resulted in the CSU's views becoming more sharply defined. The party proposes that the so-called guiding culture (*Leitkultur*) should be revived with the intention of fostering a "bourgeois-conservative change" in Germany as a whole. The CSU is drawing upon the main elements of its traditional political programme: Christian values, the family as the foundation of social life, Bavarian regionalism, limits on immigration, effective social care and low taxes, and domestic security.
- The CSU owes its electoral success so far to a conservative profile combined with the state's economic achievements, as well as the ability to adapt its programme to changing social trends. Voters see the party as both a guarantor of Bavaria's economic success and the advocate of the social interests of vulnerable social groups. However, the CSU is undergoing a transformation which may result in it losing its status as a mass party appealing to all social groups, which was confirmed in the 2018 election to the Bavarian Landtag. These changes are structural in nature; they result primarily from the aging of the population and the inflow into Bavaria of residents from other German states. This results for example in the group of Catholic voters shrinking (so far, two thirds of Catholics in Bavaria have voted for the CSU) and young

voters turning to social media as their primary source of information. This process is overlapping with a strong polarisation within German society (including Bavaria) regarding its approach to the migration crisis.

- Bavaria conducts the most active foreign policy of all Germany's federal states. It serves the development of the state's trading and cultural relations, and helps the party wield influence on the federal government's domestic and foreign policy. It also strengthens the sense of identity and distinctiveness of both Bavaria and the CSU. As regards foreign policy, the CSU does not feel closely bound to its coalition agreement with the federal government. This is manifested, among other things, in its maintenance of close relationships with Russian politicians, and in its disputes with the strategies developed in the Federal Ministry of Foreign Affairs with regard to the US. Its support for the foreign interests of Bavarian companies and its hosting of foreign delegations in Munich translates into the perception of the CSU as a party that cares about the interests of its voters on a global level.
- Close economic and political relations with Central Europe are typical of Bavaria. In its contacts with many countries of the region, Bavaria *de facto* acts as an equal partner. The state has its representative offices abroad and maintains intensive inter-governmental contacts. Munich has established close relations with Prague, which became possible in 2010 when the years-long dispute over history and the role of expelled ethnic Germans in bilateral relations ended. This also translates into economic cooperation. In 2017, aside from Austria, the Czech Republic was Bavaria's biggest trade partner from among the states of Central, Eastern and Southern Europe, and its fifth trade partner globally (Poland was ranked eighth). Hungary is another of Bavaria's close partners from this region, with strong political links to the CSU. The CSU is trying to capitalise on these links to build a counterbalance to the government in Berlin.
- In the medium term, Bavaria also faces challenges related to changes in the way people work, and adapting to Industry 4.0. This includes changing business models, enhancing the IT industry and developing start-ups, expanding the participation of emerging markets in exports, changes in education, and better access to the Internet. Improvement of methods to integrate immigrants into the Bavarian labour market is also important. Negligence in these areas could have a negative impact on the economy of Bavaria and threaten its sustainable growth, generating additional expenses related to social policy.

I. THE PRIMACY OF MUNICH OVER BERLIN THE DUAL ROLE OF THE CSU

The CSU is the only state-level party with federal representation, and its road towards federal-level politics led through its success in the state¹. From the beginning the other groups in the Bundestag needed to build up a political position at the federal level, which to a great extent has been subordinated to the creation of regional structures and efforts to win support for them in successive state elections. The CSU has been present in federal politics since the creation after the parliamentary elections in 1949 of its joint parliamentary group with the CDU in the Bundestag. The CDU's coalition with the CSU (and the FDP) was essential to the formation of Konrad Adenauer's first cabinet in 1949–1953. The CSU became quite a disciplined part of the Christian Democrats' group (while creating its own state representation in the CDU/CSU parliamentary group), which resulted in the consolidation of the close cooperation between them. The consequence was that the CSU has participated in all the CDU governments (1949–1969, 1982–1998 and since 2005). However, no chairman of the CSU has ever been chosen as the Federal Chancellor, although twice the CDU/CSU's choice for that position has fallen to a politician from Bavaria – Franz Josef Strauss (see box below) in 1980, and Edmund Stoiber in 2002.

Franz Josef Strauss (1915–1988)

1961–1988, the chairman of the CSU, and in 1978–1988 Bavaria's minister-president. In Germany considered a figure of key importance in both Bavarian and federal politics. He was the most prominent politician in the history of the CSU and the creator of its power. All of his successors draw upon his heritage. In 1953–1969 (excluding the period from 1962 to 1966, which followed his resignation caused by him creating the so-called Spiegel affair in which he had accused Rudolf Augstein, the founder and editor-in-chief of the *Der Spiegel* weekly, of treason and had caused him to be detained), Strauss served as minister for special affairs (the youngest minister in Adenauer's second government), minister for Nuclear Energy, minister of Defence and minister of Finance. In the 1980 election to the Bundestag he ran as candidate for chancellor nominated by the Christian Democrats;

¹ Local political parties operate in various states (e.g. Brandenburger Vereinigte Bürgerbewegungen/Freie Wähler, Bürger in Wut, Freie Wähler, Südschleswigscher Wählerverband), but they do not participate in federal politics.

he lost to the incumbent chancellor, Helmut Schmidt. From 1978 to 1988, he was prime minister of Bavaria. His run for the office of chancellor and his dislike for Helmut Kohl, the leader of the CDU, nearly resulted in the break-up of the joint parliamentary group in 1976.

Strauss was viewed as one of the Bundestag's most skilful orators and his debates with Herbert Wehner, the leader of the SPD parliamentary group, went down in the history of German parliamentarianism. The tradition Strauss initiated to organise party rallies on Ash Wednesday (*Politischer Aschermittwoch*)² transformed the local events into professionally directed shows that are now frequently copied by other political parties. As Bavaria's prime minister, Strauss pioneered the state's intensive foreign policy (for example by maintaining contacts with the leaders of China and the USSR, as well as with Togo and Chile; his mediation in the process of granting loans worth 2 billion marks to the East Germany was of particular importance, as it restored the East Germany's status as a financially credible state). The symbolic visit Strauss paid to Moscow in 1987 has gone down in history. The CSU leader flew his light aircraft himself which he landed in Moscow despite very harsh weather conditions. Strauss was accompanied by Theo Waigel and Edmund Stoiber, who still acts as an intermediary between the CSU and Russian politicians including President Vladimir Putin.

1. The value of the joint parliamentary group

In the Bundestag, the CSU makes up a joint parliamentary group with the CDU. Within this framework, the CSU deputies also make up a state representation in the CDU/CSU parliamentary group, which *de facto* is a party within a party. Its chairman is usually one of the CSU's most influential politicians and a contender for one of the two main functions in the party, either the chairman of the CSU or prime minister of Bavaria. Every few years the threat of the CDU and CSU separating and becoming independent within the Bundestag arises, but due to their mutual interest in maintaining the status quo, this is not a realistic prospect. In the 1970s, as fundamental policy differences and personality conflicts began to arise, some members of the CSU began to demand that they leave the common group in the Bundestag, and also that they should consider

² The tradition of organising political rallies on Ash Wednesday dates back to 1919 and to cattle markets' members of Bavaria's Agrarian Union used as a forum for discussing current political issues.

running as independents in parliamentary elections in other states³. The CSU has also raised some of these objections again more recently, but this has primarily served as a way of 'raising the stakes' in coalition negotiations with the CDU, and of disciplining the party and getting it to knuckle under to its leader. The most serious crisis in relations between the parties occurred in 1976, when the Christian Democrats were in opposition. This led to the CSU voting to split the group, but after a threat by the CDU's chairman, Helmut Kohl, that his party would be ready to create local structures in Bavaria, the CSU withdrew its decision after three weeks.

A split would bring losses to both parties. For the CDU, the lack of the CSU's support would mean less political strength at the federal level and make it more difficult to build coalitions; so far the CSU have won between 10% and 20% support for the joint Christian Democrat group in parliamentary elections⁴. Moreover, the expectation that the CDU will collaborate with the CSU in the Bundestag has also encouraged conservatives from other states to vote for the CDU. However, the effects of a split would be more painful for the CSU. The creation of two parties would lead to the CDU establishing local structures in Bavaria, and drain away some of the CSU's voters in state and federal elections. This would make it significantly harder for the CSU to form one-party governments in Bavaria, and would likely lead to the end (or a significant reduction) of its presence in the Bundestag. This would weaken the CSU's influence on federal policy, especially if it refused to participate in CDU-led governments, and also reduce its electoral subsidies. The CSU would become a primarily regional party, which neither the party's members nor its voters want. In the Bundestag, the state representation in the CDU/CSU parliamentary group would probably disintegrate, some of the Bavarian party activists would cross over to the CDU, and the CSU would become marginalised. The CSU used to be the third or fourth biggest political force in Bonn (alternating with the FDP), the main adversary of the SPD, and a driver of German public debate (notably in the Bundestag debates between the SPD chairman Herbert Wehner and Franz Josef Strauss). A CSU standing alone at the federal level would be much less influential; the risk of the CDU coming to an agreement with the Greens and the FDP without the CSU would rise. The establishment of local

³ The discrepancy was brought about by what the CSU leadership saw as the overly leftist programme of the CDU, as well as the CDU's support for the normalisation of relations with Communist Poland in the 1970s.

⁴ In the current Bundestag term, the group has 246 deputies – 46 representing the state's CSU group and 200 from the CDU.

structures by the CSU in other states to strengthen its representation in the Bundestag would be lengthy, costly and extremely difficult, not only because of the existing structures of the CDU, but also in the light of the rise of the AfD.

2. Bavaria first

The CSU's participation in federal politics is subordinated to the interests of the group in Bavaria, which often makes it serve as a quasi-opposition within its government coalition with the CDU. The main lines of dispute between the sister parties now concern migration, domestic security and European policy issues. In the past, the policies disputed included Germany's Eastern policy, the attitude to the US, and the issue of whether Germany should have nuclear weapons, something Franz Josef Strauss did not rule out⁵. The CSU's political presence in the Bundestag not only allows the realisation of projects which are important from the point of view of the Bavarian electorate, but also gives it access to the nationwide media and a presence in different constituent bodies at the federal level⁶. This translates to national popularity for individual politicians in Bavaria and builds a sense of the party's strength. It also strengthens their advantage over other groups in the Bavarian state parliament, and makes it difficult for the opposition to take power in Bavaria.

The CSU's most important objective is to maintain its independent rule in Bavaria. This objective is also served by initiatives taken at the federal level. Poor results in the state elections translate to a weaker political position in Berlin, not only within the CDU/CSU in the Bundestag, but also in the Bundesrat and the Federal Assembly. Combining two levels of policy – the federal and the state – also generates problems. Working for Bavaria's interests at the federal level, promoting the CSU's solutions and engaging in politics in Berlin shows voters how strong and important the party is. On the other hand, the Bavarian electorate sometimes perceives the party's overly intense involvement in federal or European politics as a departure from the CSU's regional priorities. Despite this, the CSU usually aspires to play a significant role in federal politics, shape the policy of Germany as a whole, and implement solutions which affect not only Bavaria, but the entire

⁵ P. Gassert, 'Streiten wie zu Strauß' Zeiten', *Die Zeit*, 3 July 2018, <https://www.zeit.de/politik/deutschland/2018-07/cdu-csu-streit-geschichte-franz-josef-strauss/komplettansicht>.

⁶ In the last two terms, policies introduced at the federal level at the initiative of Bavaria have included an annual upper limit on the number of refugees accepted into the country (Obergrenze), fees for drivers of cars and camping vehicles using the German motorways and national roads, and a more favourable entry requirement for the beneficiaries of pensions for mothers (Mütterrente).

country. The most important topics for CSU at the federal level, broadly understood, are domestic security, foreign policy and social policy.

3. The CSU's identity: back to the roots?

Since the party was founded in 1945, two concepts for development have clashed within it. The first favoured the conservative and Catholic character of the party, manifesting itself in the maintenance of close relations with the Catholic Church traditionally dominant in Bavaria (including by reference to the Church's social teaching, participation in events of a religious nature, and the introduction of religious education in schools) without corresponding contacts with the Protestant churches. The second concept proposed the extension of its political offer to moderate voters (especially in the approach to elements of post-war social reforms including the nationalisation of selected companies and agricultural reform) and taking the sensitivities of the Protestant community into account. The turning point in the dispute came after its only loss of power in Bavaria since 1949, when the SPD won in 1954. This led to changes in the structure and leadership of the party: the new leader Hanns Seidel ended the Catholic activists' dispute with the Protestants over the emphases in CSU policy, creating a more moderate profile for the party. In 1961, Franz Josef Strauss became head of the party, and led it for 27 years until his death in 1988. His reign and style of government led to the identification of the CSU as the political representation of Bavaria. Strauss was and remains a legendary figure on the German political scene, and the pillars of his party's policy as he defined them – conservatism, modernisation, regionalism – still stand today.

The CSU presents itself as the only authentic party with a right-wing profile, treating groups further to the right of itself as extreme and undemocratic. It thus continues the policy of Strauss, whose motto was that “no democratic party may arise to the right of the CSU”. The Bavarian group has so far been the main party of conservative views represented in the Bundestag. With the progressive rapprochement of the CDU's policy programme to those of the SPD and the Greens since 2005⁷, the CSU has become the only force shaping public

⁷ One manifestation of this process was the introduction of the minimum wage, the possibility of having dual citizenship, the professionalisation of the army, rescuing the euro zone, and the policy of energy transition. These actions by the Christian Democrats succeeded in building them a strong position in the political centre, but also made it increasingly difficult to distinguish their program from those of the SPD or even the Greens. See A. Ciechanowicz, 'Predictability lost: the German political scene after the elections', *OSW Commentary*, No. 254, 22 November 2017; https://www.osw.waw.pl/sites/default/files/commentary_254.pdf.

debate on the centre-right. However, this status is currently being threatened by the Alternative for Germany, which entered the Bundestag in 2017 and has appropriated this space, presenting itself as the only party which truly proclaims conservative values.

The process of defending itself against marginalisation and the shift of some of its voters to the AfD, as well as opposition to its move away from traditional values (as in its migration policy), will force the conservative CSU into defending its identity more seriously than before. This aim was served by the manifesto published at the beginning of 2018 by Alexander Dobrindt, the head of the CSU's parliamentary group in the Bundestag and one of the leaders of the party's traditionalist wing⁸. According to Dobrindt, there is a need for a "conservative revolution" to respond to the "turn to the left" which has been ongoing in Germany since 1968. Dobrindt emphasises that the time of "left-wing ideologies, social-democratic statism and Green prohibitions" has passed away, and that "the new Islamism threatening the freedom of Europe should not get the opportunity to solidify". The CSU also accuses the German media of bias in the public debate, which, according to the Bavarian party, has undergone a "left-wing bent". The answer should be the resurrection of the so-called guiding culture (*Leitkultur*), which should be the indicator of "bourgeois-conservative change" in Germany.

In this way the CSU is drawing upon the main elements of its traditional political programme. These consist of Christian values, the family as the foundation of social life, Bavarian regionalism, limits to immigration, effective social care and low taxes, and the domestic security which is the traditional watchword of the party:

- **Christian values** are reflected in maintaining the tradition of hanging crosses in schools and court rooms⁹; opposition to women wearing the burqa in public places, disapproval of minors entering into marriage

⁸ A. Dobrindt, 'Wir brauchen eine bürgerlich-konservative Wende', *Die Welt*, 4 January 2018, <https://www.welt.de/debatte/kommentare/plus172133774/Warum-wir-nach-den-68ern-eine-buergerlich-konservative-Wende-brauchen.html>.

⁹ During a meeting on 24 April 2018, Bavaria's government amended the rules regarding the buildings occupied by the Bavarian administration and ordered that, starting from 1 June 2018, crosses should be hung in all Bavarian public institutions. To justify this, Bavaria's newly appointed prime minister Markus Söder pointed to the significance of the cross as "the symbol of Christian-Western cultural identity". In many Bavarian institutions crosses are hung on the walls, but until recently there was no explicit legislation that would require this. Schools and court rooms were an exception because since 1983 they have been covered by the requirement to hang crosses.

and of forced marriages, establishing public holidays only on Christian holidays, opposition to the liberalisation of abortion laws (including the advertising of abortion clinics) and euthanasia laws, opposition to the state increasing its subsidies for in vitro fertilisation treatment for non-married couples (while approving this form of support if it is granted to married couples); opposition to granting equal status to marriages and same-sex relationships (while emphasising non-discrimination of same-sex relationships)¹⁰;

- **family** – considered the foundation of social life, which is reflected in financial support granted to families raising children. Forms of this support include tax breaks for married couples, increased child benefits, house building subsidies for families paid out for ten years following the birth of a child, and opposition to promoting the so-called ‘gender ideology’ during school classes;
- **Bavarian regionalism** – or attachment to one’s birthplace, to the *Heimat* understood as a ‘small homeland’ and as the foundation for patriotism which is manifested for example by emphasising the cultural importance of the German language and its promotion in the EU, celebrating national holidays, attachment to national symbols, the national flag and regional costumes. The CSU also understands taking care of the equal pace of development of specific parts of Bavaria as falling under Bavarian regionalism;
- **integration and limits to immigration** – understood as limiting the inflow of immigrants from different cultures. Proposals include the requirement that immigrants should renounce citizenship of their country of origin. Despite this, it is likely that by 2040 around a third of Bavaria’s residents will be of immigrant origin. In 2014, or prior to the main wave of the migration crisis, in the Integration Index compiled by the Berlin Institute for Population and Development, Bavaria was ranked third among all German states as regards the effectiveness of integration; the study showed that education of immigrants was one

¹⁰ In 2016, the CSU’s youth organisation adopted a slightly altered version of the passage on family values and indicated that “a marriage between woman and man forms a good framework for the family”, which does not rule out other forms of partnership. Cf. *Grundsatzprogramm der Jungen Union Bayern*, <http://www.ju-bayern.de/med/5646-grundsatzprogramm-der-ju-bayern.pdf>.

of the weakest elements, including a high proportion of individuals of immigrant origin dropping out of education and failing to pass the secondary school-leaving exam (in these categories, among all 16 German states, Bavaria is ranked eleventh and thirteenth, respectively);

- **effective social care and low taxes** – combining slogans about tax relief and a balanced budget with an acceptance of regional regulations concerning selected taxes (such as inheritance taxes); lowering taxes for top earners and increasing spending on assistance for the elderly;
- **domestic security** – support for increasing the competences of state services in particular at the state level (in 2018 Bavaria’s Landtag amended the law on state police to significantly expand its powers; the new law was later copied by other states, for example North Rhine-Westphalia), increasing the number of police officers; fighting all forms of extremism, including left-wing extremism; engaging the Bundeswehr to support the police in particularly dangerous activities (for example in case of the threat of terrorism).

Domestic security has become the party’s watchword in its policy pursued at the federal level and at the same time a touchstone of the CSU’s credibility. Bavaria boasts the lowest crime rate compared to other states (Munich is Germany’s safest city) and the highest proportion of solved criminal cases.

4. The political offer: tradition and modernisation, social policy and Heimat

The conservative manifesto combined with the CSU’s traditional priorities, proposals and slogans together make up a political offer intended for a wide range of voters. Tradition is being linked to modern regionalism, and modernisation – to a more broadly understood idea of security and an ambitious social policy.

For the CSU, the synergy of tradition and modernity has laid the foundation of success for both the party and the state. The CSU’s slogan of ‘Laptop und Lederhosen’ symbolises Bavaria’s transition from a state of agriculture to one of industry, where high technologies are being developed. The evolution of the party’s position has primarily concerned the economy, but has also sometimes involved philosophical issues, including emphasising the prohibition of discrimination on grounds of sexual orientation in its manifesto. One important influence on the programme’s evolution was the fact that for years the traditional Bavarian-born

Catholic electorate (two thirds of Catholics in Bavaria vote for the CSU) has been shrinking, while residents from other states have been arriving, and young people have been turning to social media as their primary source of information.

The CSU presents itself as the guarantor of Bavaria's economic success and as an advocate for the economic interests of vulnerable social groups. For them, social policy is the second pillar of the German economy next to the free market; the intention is to offer equal opportunities and protect the weakest, especially taking into account the changes to the state's demography and labour market, as well as the challenges of digitisation. The use of slogans about modernisation and supporting entrepreneurship with social funding has in the past prevented a mass exodus of voters to the SPD and won broad support for economic changes. The CSU's social sensitivity has also played an important role in its discussions with the CDU. In 2003, Edmund Stoiber (the then leader of the party) got the CDU to give up their plans to limit Germany's social policy.

At present the CSU's priorities in social policy, in addition to broad support for families, include tackling long-term unemployment, as well as providing equal access to public services for people with disabilities. Moreover, its social policy combines slogans about tax relief and a balanced budget with an acceptance of regional regulations concerning selected taxes (such as inheritance taxes). One of the main elements of the CSU's social policy is to expand the availability of housing and halt the rise in rents, which is a growing problem for large German cities, including Munich.

Bavarian regionalism is still an important element of the CSU's identity as a mass party. This should be understood as a two-dimensional concept: as a commitment to 'small homelands', local patriotism and making references, for example, in documents compiled by the party to the traditional regions of Bavaria (Franconia, Swabia and Old Bavaria); as well as the pursuit of balanced development for the whole of the state. The idea of the *Heimat*, which is the motto of Bavarian patriotism and social solidarity, allows the CSU to act as the voice of the entire state, for residents of both the country and the cities. Most Bavarians live in rural areas (7.1 million, compared to 5.6 million in the cities), and this is unlikely to change in the foreseeable future (over the next two decades the urban population is projected to increase by 9%, and by 3% in rural areas¹¹).

¹¹ *Regionalisierte Bevölkerungsvorausberechnung für Bayern bis 2037*, Statistical Office of the Free State of Bavaria, https://www.statistik.bayern.de/mam/statistik/gebiet_bevoelkerung/demographischer_wandel/demographische_profile/09162.pdf, p. 19.

The importance of regionalism in the CSU's policy was emphasised by the extension in 2014 of the state Ministry of Finance's competence to work towards equalising the standard of living in all regions of Bavaria¹². This includes the availability of medical services, communications, reducing unemployment in rural areas, and providing educational opportunities outside Bavaria's major urban centres. The aims of this policy were laid out in the strategic programme presented in 2014 (*Heimat Bayern 2020*)¹³. After the CSU took control of the Federal Ministry of Internal Affairs in 2018, the name was changed (as happened to the state Ministry of Finance) to the Ministry of Internal Affairs, Construction and Heimat. In Bavaria, regionalism is also considered as a marketing tool: the brand 'Made in Heimat' with which local products are marked is meant to signify the highest quality and show support for local producers.

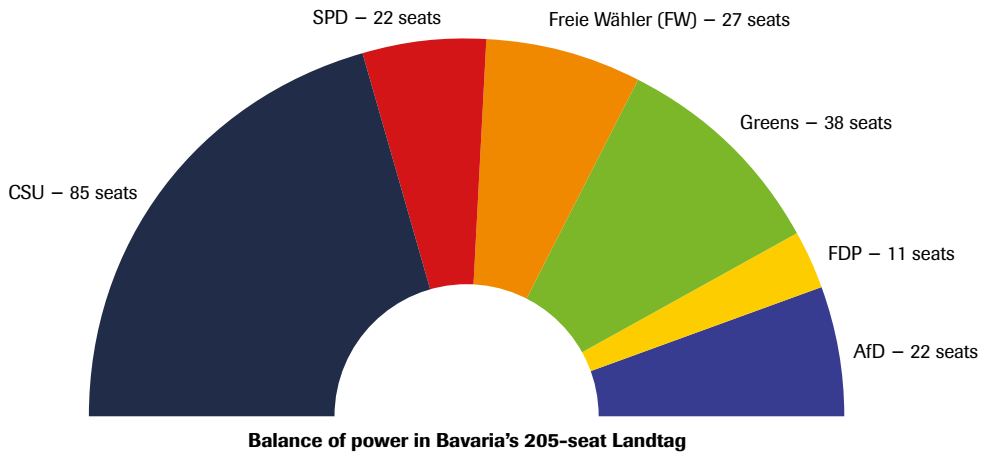
¹² The ministry's full name is Bayerisches Staatsministerium der Finanzen, für Landesentwicklung und Heimat.

¹³ *Regierungserklärung 'Heimat Bayern 2020'*, The State Ministry of Finance, Development and the Homeland, 27 November 2014, https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=2ahUKEwi_7NDz9Z_hAhUOp4sKHQDUCh oQFjABegQIAhAB&url=https%3A%2F%2Fwww.bayern.de%2Fwp-content%2Fuploads%2F2014%2F11%2FRegierungserkl%25C3%25A4rung-%25E2%2580%259EHeimat-Bayern-2020%25E2%2580%259C.pdf&usg=AOvVaw2f8C9BewKGkil6eUiv6Nwy.

II. THE CSU FOLLOWING THE 2018 ELECTION IN BAVARIA

In the election to Bavaria's Landtag on 14 October 2018 the CSU came out as the winner having garnered 37.2% of the votes. This was a drop in its election result by as much as 10.4 percentage points compared with 2013¹⁴. Bavaria's prime minister Markus Söder (CSU) formed a coalition with Freie Wähler, a grouping whose ideological profile resembles that of the CSU that served as an alternative for voters who were dissatisfied with the achievements of the Christian Democrats. Freie Wähler's political programme focuses mainly on regional politics; the grouping does not compete with the CSU at the federal level (unlike the AfD). The two groupings combined received 112 out of the 205 seats, which guarantees a stable majority for the government.

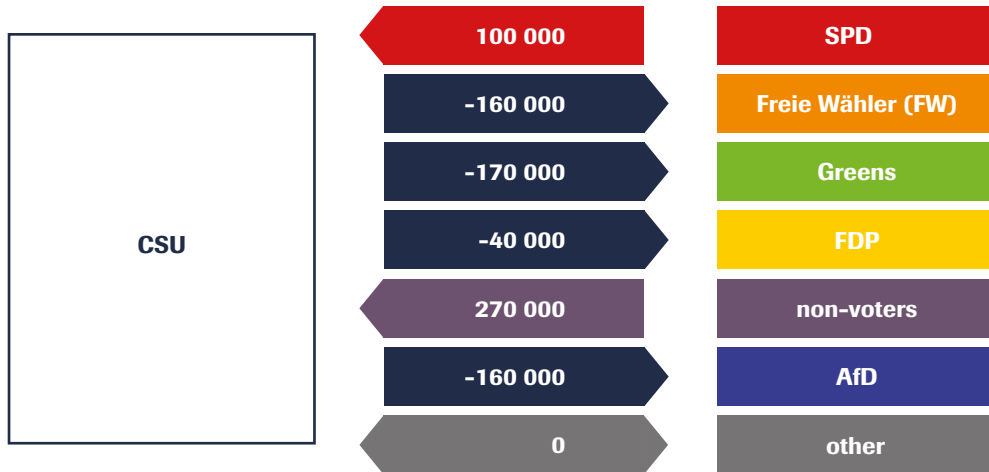
Chart 1. Distribution of seats in Bavaria's Landtag



Source: Infratest dimap for ARD

¹⁴ The Greens came in second with 17.5% of the votes (+8.9 p.p.). Freie Wähler, a grouping of independent candidates, garnered 11.6% of the votes cast by Bavarians (+2.6 p.p.). The AfD's result (10.2%, fourth place) was below the expectations of both its members and its voters. The SPD garnered a mere 9.7% of the votes and recorded major losses (-10.9 p.p.). One of the reasons behind the CSU's unimpressive electoral result was the strong competition for votes cast by conservative voters, which Freie Wähler and the AfD also wished to win. What was unfavourable for the Bavarian Christian Democrats, who are members of the federal government, were the disputes within the ruling coalition at the federal level and the conflict between CSU leaders. Similarly, the electoral campaign's focus on the consequences of the migration crisis did not bring the expected surge in votes.

Chart 2. The flow of voters from/to the CSU to/from other parties



Source: Infratest dimap for ARD

In the 2018 coalition agreement, the two parties pledged to: maintain a balanced budget, develop road infrastructure (€400 million by 2020), employ 500 new police officers annually, build new crèches and kindergartens, employ an additional 5,000 teachers, and grant additional support to families. The promise to build 10,000 new council flats by 2025 was an important element of the CSU’s electoral campaign. Alongside this, the two parties intend to establish a state agency for energy and climate protection, and to postpone the decision to expand Munich airport, which was proposed by Freie Wähler. A new ministry for Digitisation was created. The new government will be more active in environmental protection: for example it committed itself to include climate protection issues in Bavaria’s constitution and to set state climate protection targets (less than two tons of CO₂ per capita annually by 2050). This is to enable the party to recover the portion of its electorate that crossed over to the Greens (170,000 votes) before local elections to be held in Bavaria in 2020¹⁵.

The increase in the significance of the Greens, the entry of the AfD to the Landtag and the return of the FDP, as well as the good result achieved by Freie Wähler all form new challenges the CSU is now facing in state politics. This concerns the implementation of one of the party’s priorities, i.e. the creation of a one-party government, alongside the adoption of an appropriate electoral strategy to make the party more attractive to both conservative voters (besides

¹⁵ K. Frymark, ‘A continuity coalition in Bavaria’, *OSW Analyses*, 7 November 2018, <https://www.osw.waw.pl/en/publikacje/analyses/2018-11-07/a-continuity-coalition-bavaria>.

the CSU, at present three more parties are soliciting their votes: the AfD, Freie Wähler and partly the FDP) and the supporters of the Greens. The changes announced following the Landtag election involved injecting new blood into party structures, increasing the proportion of women as party members, and expanding the political programme to include environmental protection issues. One of the priorities defined by Markus Söder, the CSU's chairman since January 2019, will be to reform German federalism and to abandon centralist trends. The power shift in the CSU comes as a result of Horst Seehofer's position gradually dwindling. Party members intended to hold him accountable for the unprofessional campaign ahead of the Bundestag election and Bavaria's Landtag election, and for exacerbating the dispute with the CDU over migration policy. In March 2018, he was forced to resign as Bavaria's prime minister and was replaced by Söder, who until then had been Bavaria's minister of Finance. Next, in November 2018, Seehofer decided not to re-run for the function of the CSU's chairman. This signalled victory for the group led by Söder in the party's internal rivalry. The group received support, for example, from former chairman Stoiber, who continued to be a highly influential figure, and from the CSU's youth organisation.

1. Structural changes to the Bavarian electorate

Economic growth and low unemployment, together with the commitment to combine traditional values with understanding for the needs of modernisation, as well as the emphasis on security issues, has been quite an effective recipe for the CSU's electoral success. However, the party is experiencing problems in connection with the changes taking place in all the mass parties in Germany, which have translated into falling support¹⁶. The scale of the changes is reflected in the electoral results for the two major parties in Bavaria, the CSU and the SPD. In 1974, these two combined won 92.3% of the votes, but in 2008 they only managed 62.3%. In addition, the appearance of another conservative party in Bavaria (in the form of the AfD) and the high support for the Greens have threatened the CSU's dominance in Bavaria and are accelerating its loss of voters.

These changes to the Bavarian electorate are structural in nature. They are associated with an aging population and changes in electoral habits. Also, the number of people without a permanent political affiliation has increased, and some

¹⁶ A. Ciechanowicz, *Predictability lost...*, *op. cit.*

voters are choosing to vote in order to ‘spite’ the mainstream parties, in an effort to express their opposition to the *status quo*. This all means that the party’s ability to mobilise new voters is weaker than before. Thanks to the influx of a large number of residents from other states, there has been a steady decrease in the proportion of Catholic voters, which is of particular importance to the CSU (two thirds of Bavarian Catholics vote for the party¹⁷). The CSU’s effectiveness has also been impacted by personality issues between the party’s leaders, as well as the way in which the electoral programmes have been presented. All these factors have contributed to a drop in support for the CSU in Bavaria, but it still remains higher than support for the Christian Democrats in other federal states and at the federal level.

Another challenge for the CSU, as for the other traditional parties, lies in the new ways of communication via social media, which allow groupings that know how to make better use on-line marketing tools to reach out to voters more effectively¹⁸. In this respect, an analysis of the election campaigns conducted online before the parliamentary elections in 2017 highlighted a significant advantage for the CSU’s main rivals in Bavaria – the AfD¹⁹.

The opposition parties in Bavaria do not have much experience in the field of real governance, and are fragmented²⁰. One of the problems for the opposition – especially the SPD and the Greens – is reaching out to voters outside the cities. Although these parties have scored good election results in Munich and Nuremberg (where the SPD governs), they have been unable to mobilise voters from rural areas. Attempts to adapt to the expectations of the more conservative voters living outside the large centres expose these parties to charges of imitating the CSU’s policies, and in fact have counterproductive effects. The success of the Greens has marked a change in this trend. However, it is too early to assess the durability of the increase in their popularity in Bavaria.

¹⁷ G. Hopp, M. Sebaldt, B. Zeitler, *Die CSU: Strukturwandel, Modernisierung und Herausforderungen einer Volkspartei*, Wiesbaden 2010, pp. 33–40.

¹⁸ The AfD has 400,000 followers on Facebook, while the CSU has 210,000, third in Germany after the Left Party (die Linke).

¹⁹ ‘Der missglückte Online-Wahlkampf’, *Handelsblatt*, 28 September 2017, <http://www.handelsblatt.com/politik/deutschland/bundestagswahl/alle-schlagzeilen/cdu-und-csu-der-missglueckte-online-wahlkampf/20384590.html>.

²⁰ With the exception of the FDP, none of the current opposition parties have formed a government in Bavaria since 1957. Only once since World War II did the SPD create a majority coalition and have a prime minister in Bavaria (1954–7). In 1946–7 and 1950–4 the state was ruled by a grand coalition under the leadership of the CSU.

In the Landtag election, this increase resulted from the party consistent focus on environmental protection issues and social affairs, as well as from not being tainted by participation in the government coalition at the federal level, and also from the positively assessed changes made to the party's executive body following the 2017 election to the Bundestag. Other drivers of voter mobilisation included rallies organised in Bavarian cities against the CSU's planned amendment to the law on the state's police, which was considered too strict. The SPD's dullness has been another important factor. Statistics on the flow of voters indicate that 210,000 individuals who had formerly voted for Social Democrats now voted for the Greens.

2. The AfD: an alternative to the CSU

Although the AfD came in fourth in the state elections, it poses the biggest challenge to the CSU both in Bavaria and at the federal level, because their election programmes are similar in profile. By voting for the AfD, the majority of voters want to express their protest (85%) against the erosion of German culture, the excessive social changes caused by immigration, and the excessive influence of Islam²¹. So far, the AfD has achieved its success by tactics including exploiting the ongoing disputes in Germany on the understanding of the concepts of the nation, history, and culture of the state, which hitherto in Bavaria had mainly been the CSU's domain. The CSU's rivalry with other parties of a similar profile in Bavaria (for example with the Bavaria Party that lost most of its voters to the CSU in 1959) had previously been local in nature, and for a party firmly embedded in federal policy, it was not too much of a challenge to suborn them. This time, however, the CSU's rival is active at the federal level as well; the AfD has been pointing out the errors made by the Bavarian Christian Democrats, and has shown the way for a departure from the conservative roots and the legacy of Franz Josef Strauss²². In the face of this criticism, the CSU's closeness to the CDU is proving to be a handicap; the latter party has been accused even more strongly by the AfD of betraying traditional Christian Democratic values, primarily with regard to migration policy, as well as security issues both domestically and on the European stage. The rivalry with the AfD, then, means that the CSU needs to make more radical emphases in its manifesto. We may even

²¹ A survey of AfD voters on the biggest threats that Germany must deal with: *Bundestagswahl 2017. Umfragen zur AfD*, ARD, 24 September 2017, https://wahl.tagesschau.de/wahlen/2017-09-24-BT-DE/charts/umfrage-afd/chart_208795.shtml.

²² B. Neff, 'Die verkaufte Seele von Franz Josef Strauss', *Neue Zürcher Zeitung*, 6 August 2018, <https://www.nzz.ch/international/die-verkaufte-seele-von-franz-josef-strauss-ld.1409073>.

expect it to take over some of the AfD's demands. Symptoms of this process can already be seen in the hardening of the CSU's attitude in its dispute with the CDU on migration policy²³.

²³ K. Frymark, A. Kwiatkowska-Drożdż, 'Serious clash between CDU and CSU on migration policy. European implications', *OSW Analyses*, 20 June 2018; <https://www.osw.waw.pl/en/publikacje/analyses/2018-06-20/serious-clash-between-cdu-and-csu-migration-policy-european>.

III. THE CSU AND BAVARIA'S FOREIGN POLICY

The states have limited competence in foreign policy and the main powers in this area are vested in federal administrative bodies (Article 32 of the German Constitution). The activity of the states can be divided into cooperation between the governments of the federal states and the federation (especially in the Bundesrat²⁴), and independent activities (which sometimes even compete with politics at the federal level). The former mainly involves co-shaping Germany's European policy. In the Bundesrat, the states are involved in the legislative process of adapting legal acts adopted at the EU level to domestic law (Article 23 of the German Constitution). The consent of the Bundesrat is also required to amend the European treaties. The representation of the interests of the individual states abroad is mainly related to regional and cross-border cooperation, support for exporters, cooperation in the fields of science, education and culture. This policy also involves establishing representative offices in the EU (all German states have such representative offices) and in the most important states globally that are Germany's partners, e.g. in the USA (it hosts around 20 offices – some states have more than one office).

The most active states in foreign policy are the three most populous and wealthy ones: Bavaria, neighbouring Baden-Württemberg and North Rhine-Westphalia which borders the Benelux countries. For Baden-Württemberg and North Rhine-Westphalia, their ambitions to pursue foreign policy are primarily based on their intention to take care of economic interests and maintain cultural contacts. In addition, Bonn in North Rhine-Westphalia hosts more than 20 UN agencies, which facilitates international contacts.

1. The importance of Bavaria's foreign policy for the CSU

For Bavaria, foreign policy is important in two aspects. It serves to represent the state on the international stage and at the same time is subordinated to the political interests of the CSU, which are often contrary to the policy of the CDU or the government as a whole. For the CSU, Bavaria's foreign activities are an instrument for achieving the following purposes in particular:

²⁴ This refers to the legislative powers of the Bundesrat. Cf. T. Fischer, *Bundesländer und Bundesrat*, p. 192–202, in: S. Schmidt, G. Hellmann, R. Wolf, *Handbuch zur deutschen Außenpolitik*, Wiesbaden 2007.

a) influencing the federal government

Using the instruments of state foreign policy, the CSU attempts to influence the federal government's domestic and foreign policy, by frequently presenting a different attitude than the one adopted by the Foreign Ministry and the Chancellor's Office. This was the case with the sanctions imposed on Russia²⁵ and the rapprochement with Austria which in 2015 and 2016 had intended to seal the Balkan migration route. Both initiatives met with resistance on the part of the CSU²⁶ and the party increased its lobbying activities in favour of solutions that were beneficial for Bavaria. These included the easing of sanctions against Russia and close cooperation with the Balkan states and Austria to limit illegal migration to Germany.

b) emphasising the CSU's separate political identity

Using foreign policy measures (for example, inviting leaders who challenge Berlin's policy, e.g. Viktor Orbán and Sebastian Kurz, to party meetings, and organising foreign visits of party representatives, including to Russia), the CSU emphasises the differences between itself and the CDU in terms of foreign policy priorities, thereby strengthening its separate identity and building a sense of distinctiveness among its members and voters. In Bavaria's foreign policy, the CSU does not feel closely bound by the provisions of the coalition agreement, which allows it to highlight its party interests. Since the times of Franz Josef Strauss, each subsequent CSU chairman and Bavarian prime minister has attempted to build his foreign policy activity by distancing himself, at least in part, from the chancellor's position and decisions.

c) supporting the pursuit of Bavaria's supra-regional interests and global ambitions

Because of its size and economic potential, Bavaria presents itself as a supra-regional player whose interests extend beyond its immediate neighbourhood and beyond Europe. By offering support to entrepreneurs (e.g. the participation of managers in delegations of representatives of the Bavarian government)

²⁵ K. Frymark, A. Ciechanowicz, 'Dreaming of normalisation. Germany vs. Russia', *OSW Commentary*, No. 255, 7 November 2016, https://www.osw.waw.pl/sites/default/files/commentary_225.pdf.

²⁶ M. Szpala, K. Frymark, 'Patching the Western Balkan migration route', *OSW Analyses*, 2 March 2016, <https://www.osw.waw.pl/en/publikacje/analyses/2016-03-02/patching-western-balkan-migration-route> and A. Ciechanowicz, 'Russia is driving a wedge into Germany', *OSW Analyses*, 26 November 2014, <https://www.osw.waw.pl/en/publikacje/analyses/2014-11-26/russia-driving-a-wedge-germany>.

and receiving foreign delegations in Munich, Bavarian politicians build confidence among the electorate in Bavaria's global interests and opportunities. This translates into voters perceiving the CSU as a party that is taking care of their interests on the global scale.

d) strengthening its own identity by pursuing regional politics

Relations with the countries of Central Europe are of particular importance for Bavaria's foreign policy. Emphasis is placed on the state's proximity to the countries of the region (mainly the Czech Republic, Austria and Hungary), which makes Bavaria particularly suited to act as the guardian of Sudeten Germans²⁷. For Bavaria, the sense of regionalism extending beyond the borders of Germany is a form of building its identity and separate status from other states and the federal government. Bavaria's unique nature results from its strong economic and political ties with Central Europe, primarily understood as the Danube area that stretches to the Balkans and the Black Sea.

2. Main assumptions and directions of Bavaria's foreign policy

2.1. Central Europe

Due to the region's geographical proximity and historical ties, Bavaria develops close relations with the states of Central Europe. This mainly concerns Austria, the Czech Republic and Hungary. In these relations, Bavaria acts as a *de facto* equal partner for the region's states.

2.1.1. Austria

Austria is Bavaria's major economic partner in Central Europe. In 2017, its exports to Austria accounted for 7% of Bavaria's exports as a whole (€15.1 billion), and its imports – 9% (€16.3 billion). Since Austria's entry to the EU in 1995, a revival of Bavarian-Austrian cooperation has been recorded and numerous projects have been implemented using EU funding. Over the last decade, the main problem involved the CSU's proposed introduction of a toll on German motorways for passenger car drivers (so-called Pkw-Maut). Vienna opposed the new regulation, seeing it as a sign of discrimination against foreigners and

²⁷ After World War II most ethnic Germans from the Czech lands settled in Bavaria and formed a strong group of CSU voters. The CSU treats Sudeten Germans as one of Bavaria's regional pillars (alongside the population of Franconia, Swabia and Old Bavaria). They are of great importance for the CSU's policy.

a violation of EU law, as well as a potential burden on its own road infrastructure. The Austrian People's Party (ÖVP) led by Sebastian Kurz coming to power in October 2017 gave new impetus to the bilateral cooperation. Kurz's views, mainly on migration policy, are convergent with Bavaria's restrictive policy. Back in November 2016, Kurz (still holding the office of Austria's foreign minister) took part in the CSU's party convention, during which he demanded that the policy towards the migrants coming to the EU should be made more restrictive.

In order to weaken the German Chancellor's position and build a counterbalance for her policy at home, the CSU used the generation gap between Merkel and Kurz and the deep political dispute over migration policy, alongside certain personality issues between the two politicians²⁸. Berlin sees Austria's chancellor as the main proponent of the plan to seal the Balkan migration route; he indeed achieved this prior to the signing of the EU-Turkey agreement negotiated by Chancellor Merkel. Kurz repeatedly expressed harsh criticism of Merkel's migration policy, including in the German media, which was viewed as meddling in Germany's internal affairs. In 2018, first intergovernmental consultations between Bavaria and Austria were held²⁹.

2.1.2. The Czech Republic

Bavaria's relations with the Czech Republic are among the most intensive politically, although until 2010 they had mainly been shaped by disputes over history. The state of Bavarian-Czech relations used to be determined by the memory of the Beneš decrees and their consequences, as well as the support Bavaria had granted to ethnic Germans who had resettled in Germany from the former Czechoslovakia³⁰. The CSU acts as their guardian, including at the federal level. The Bavarians demanded that the Beneš decrees be annulled, hoping that property claims made by Germans who had lived in Czechoslovakia would be recognised. Prague, for its part, rejected any such plan. By acting as the advocate for the expelled, the CSU intended to win their votes. The Czech Republic, for its part, criticised Bavaria's close ties to groups of the expelled and organisations

²⁸ K. Frymark, A. Kwiatkowska-Drożdż, 'Serious clash between CDU and CSU on migration policy. European implications', *OSW Analyses*, 20 June 2018, <https://www.osw.waw.pl/en/publikacje/analyses/2018-06-20/serious-clash-between-cdu-and-csu-migration-policy-european-0>.

²⁹ Ch. Deuschländer, *Söder und Kurz im Merkur-Interview: 'Ziehen zu 100 Prozent an einem Strang'*, *Merkur*, 17 February 2018, <https://www.merkur.de/politik/markus-soeder-und-sebastian-kurz-im-interview-mit-muenchner-merkur-9621767.html>.

³⁰ Pursuant to decrees issued in 1945 by the government of the Czechoslovak Republic in exile, the so-called Beneš decrees, after World War II around 3 million Sudeten Germans were resettled and dispossessed. Most of them settled in Bavaria.

that represented them. This resulted in numerous conflicts, including the CSU's objection to the Czech Republic entering the EU, which was voiced in 2002, for example by Edmund Stoiber, the then CSU chairman and Christian Democratic candidate for chancellor.

An improvement was achieved as a result of efforts by Czech diplomats on the one hand and German diplomats acting at the federal level on the other. The German-Czech declaration signed in 1997 brought about a normalisation of bilateral relations and called for focusing on common interests and reducing the impact of history on politics to a minimum.

The development of nuclear energy has been another wedge driven between Munich and Prague over the years. The plan to expand the nuclear power plant in Temelín has become a symbol of the conflict, as in the dispute present in Austrian-Czech relations. The conflict was resolved after some time and the so-called Melk Protocol was signed in December 2000. Pursuant to the document, the Czech Republic is required to communicate detailed information regarding the situation in the power plant³¹. In 2010, Bavaria's prime minister Horst Seehofer paid his first visit to Prague, which was a breakthrough in Czech-Bavarian relations and resulted in bilateral cooperation becoming closer. In December 2014, Bavaria opened a representative office in Prague. During their meeting in 2015, Sudeten Germans (acting as the Sudeten German Homeland Association that forms a component of the Federation of Expellees) amended the statutes of their association by striking out their property restitution claims and their demand regarding the right to return to the Czech Republic. This policy is also supported by Bavaria's new prime minister Markus Söder.

Bavaria is the Czech Republic's most important trade partner of all the German states and accounts for a quarter of Germany's total exports to the Czech Republic³². In 2017, the Czech Republic was Bavaria's second biggest trade partner (after Austria) of all countries of Central, Eastern and Southern Europe. In 2017, the value of Bavaria's imports from the Czech Republic was €14.4 billion,

³¹ M. Gniazdowski (ed.), *Projekty jądrowe w Europie Środkowej i Południowo-Wschodniej. Stan i perspektywy*, 'Raport OSW', June 2015, <https://www.osw.waw.pl/pl/publikacje/raport-osw/2015-06-23/projekty-jadrowe-w-europie-srodkowej-i-poludniowo-wschodniej>.

³² Delegation der Bayerischen Wirtschaft in der Tschechischen Republik (Bavaria's economic representative office in the Czech Republic), <https://www.bavariaworldwide.de/tschechien/ueber-tschechien/wirtschaftsbeziehungen/>.

and its exports to the Czech Republic – €6.5 billion³³. For comparison, the value of Bavaria's exports to Russia is around €3 billion annually. More than 300 Bavarian companies have subsidiaries in the Czech Republic. Cross-border cooperation³⁴ and cooperation in the field of culture are positive.

2.1.3. Hungary

For a long time, Bavaria has had the closest political relations with Hungary among the countries of Central and Eastern Europe. After 1956, Bavaria took in around 80,000 Hungarian refugees, more than 13,000 of whom still live there³⁵. Bavaria is Hungary's most important economic partner of all the German states. It accounts for around a third of German investments in Hungary and is the biggest importer of Hungarian goods from among all the German states. Bavarian companies mainly invest in the automotive sector which is the driving force of the Hungarian economy (e.g. the Audi manufacturing plant in Győr). As regards political cooperation, Fidesz has been the CSU's partner since the 1990s and Viktor Orbán's government is cooperating with the Bavarian government in a number of fields including security (training police officers), environmental protection, and digitisation. Regular meetings are held between the Bavarian governmental committee and representatives of Hungary³⁶. Fidesz uses its cooperation with the CSU to strengthen its position in the European People's Party in which the German Christian Democrats CDU/CSU are of key importance. It has repeatedly served as a 'protective umbrella' for Fidesz in its disputes on the EU forum³⁷.

Orbán was a frequent guest at the CSU's party meetings (for example in 2014–2018). In 2001, he received the Franz Josef Strauss award from the Hanns Seidel Foundation which is associated with the CSU. The relations became closer during the migration crisis, when the Orbán supported the CSU's demands,

³³ Statistical Office of the Free State of Bavaria, <https://www.statistikdaten.bayern.de/gensis/online?operation=previous&levelindex=2&levelid=1547041931549&step=2>.

³⁴ In 1990, the Bavarian-Czech protocol on mutual cooperation was signed and a group coordinating cross-border cooperation was established.

³⁵ T. Vitzthum, 'Die unheimliche Beziehung der CSU zu Orbáns Ungarn', *Die Welt*, 23 September 2015, <https://www.welt.de/politik/deutschland/article146735062/Die-unheimliche-Beziehung-der-CSU-zu-Orbans-Ungarn.html>.

³⁶ *Europaministerin Dr. Beate Merk und Außenminister Péter Szijjártó zu Meinungs austausch in Budapest zusammengetroffen*, 6 October 2016, <http://www.bayern.de/europaministerin-dr-beate-merk-und-aussenminister-peter-szijjarto-zu-meinungsaustausch-in-budapest-zusammengetroffen-merk-wir-bleiben-mit-ungarn-selbstverstaendlich-im-gespraech/>.

³⁷ A. Sadecki, 'Bavaria: Orbán's window onto Germany', *OSW Analyses*, 10 January 2018, <https://www.osw.waw.pl/en/publikacje/analyses/2018-01-10/bavaria-orbans-window-germany>.

for example on limiting migration to the EU, and opposed Chancellor Merkel's migration policy. The CSU used Orbán's criticism of Merkel's migration policy at the EU forum to strengthen its position within the German Christian Democratic groups and to cause a shift in the chancellor's policy. The German media interpreted the CSU's support for Orbán as transferring the intra-German dispute over migration to the EU forum in order to strengthen Merkel's opponents in Europe³⁸. Other divergences between Merkel on the one hand and Orbán and the CSU on the other include their attitude towards Russia, including the possible lifting of European sanctions against Moscow³⁹. In 2017, Bavaria exported goods worth €3.7 billion to Hungary, and its imports from Hungary totalled €9.1 billion.

2.2. The EU

For the CSU, the membership of its MEPs in the European People's Party is an important element of its European policy. Manfred Weber, the deputy chairman of the CSU, has been the EPP's Leader in the European Parliament since 2014. He is one of the favourites to be appointed President of the European Commission.

Another important element of the CSU's European policy and one that has a strong regional and cross-border aspect is Bavaria's participation in the EU's macro-regional strategies. From the beginning, Bavaria has been strongly involved in the creation of the EU Strategy for the Danube Region (EUSDR) and Bavarian companies are among the most active entities implementing this strategy⁴⁰. Under the strategy, Munich is mainly co-forming projects in the fields of security (for example the fight against organised crime and cybercrime) and environmental protection. Bavaria is also involved in the creation of the EU Strategy for the Alpine Region (EUSALP) which the EU adopted in 2016 on Bavaria's initiative. The initiative's priorities include several goals promoted by Munich: economic growth and innovation, mobility, and on the environment and energy. In 2017, Bavaria held the presidency of EUSALP.

³⁸ R. Alexander, *Die Getriebenen*, München 2017, p. 17.

³⁹ A. Sadecki, 'Wizyta prezydenta Władimira Putina na Węgrzech', *Analizy OSW*, 6 February 2017, <https://www.osw.waw.pl/pl/publikacje/analizy/2017-02-06/wizyta-prezydenta-wladimira-putina-na-wegrzech>.

⁴⁰ Cf. M. Gniazdowski T. Strážay, *The EU Strategy for the Danube Region. The implications for Poland and the Visegrad Group*, 'OSW Studies', 31 July 2011, https://www.osw.waw.pl/sites/default/files/prace_37_1.pdf.

At present, the most important assumptions of the CSU's European policy⁴¹ include:

- support for the possibility to amend EU treaties or (if there is not the consent of all member states) to allow selected partners to tighten their cooperation by building a coalition of interested states;
- strengthening subsidiarity principle by limiting the powers of the EU and transferring them to the national level;
- reducing bureaucracy (in 2007-2014 Edmund Stoiber, former CSU chairman, served as the head of the EU task force to limit bureaucracy);
- promoting the use of the German language as the EU's third working language (alongside English and French);
- strengthening national parliaments to prevent nation-states losing control of the process of implementing changes in the EU: the CSU is in favour of both granting national parliaments the right to legislative initiative, and of more effective oversight of legislation that is being adopted;
- opposing any forms of a transfer and social union; the CSU is in favour of a strict reform policy (for example in Greece); Peter Gauweiler, a prominent CSU politician and one of the harshest critics of the euro (due to divergent views within the Christian Democratic group as regards European affairs in 2015 he resigned his parliamentary seat), referred five decisions of the European Central Bank to the Federal Constitutional Court in Karlsruhe; due to the economic importance of the United Kingdom for Bavaria, the CSU supports the efforts to achieve a Brexit deal that would preserve the status quo to the greatest degree possible;
- the reform of the asylum system to include the division of refugees into groups based on the quota system (the CSU allows one exception from

⁴¹ For Germany, including for individual German states, this policy primarily has an internal dimension and is mainly formulated in strategic documents regarding domestic policy. The main assumptions regarding the vision of the EU are contained in the resolution passed by the CSU's executive body on 30 January 2017 entitled "*Für ein bürgerliches Europa*", articles on the CSU's political programme authored by Horst Seehofer and published by FAZ, articles by Peter Gauweiler, as well as in the 2014 Landtag report from the activity of the government in Munich in European politics.

this rule that covers countries that have special achievements for the EU's common migration policy, for example in the field of the protection of the EU's external borders); the introduction of an annual limit to the number of refugees taken in (Obergrenze); the CSU demands that migration centres (so-called hotspots) should be created in Africa, that deportation procedures should be more efficient, that cooperation with African states should be developed and that standards of taking in asylum seekers and their stay in respective EU host countries should be unified;

- more intensive cooperation between the services responsible for security in the EU (including the retention of data exchange) and maintaining random inspections in the Schengen Area; according to the CSU, the countries that form the Schengen Area but which fail to meet the requirements should be temporarily excluded from it;
- strengthening EU-level cooperation in the field of defence, maintaining the USA's status as the guarantor of Europe's security;
- maintaining the present shape of the EU's common agricultural policy due to the fact that Bavarian farmers (more than 130,000 individuals) are Germany's main beneficiaries of this policy, and maintaining the EU's budgetary spending earmarked for cohesion policy at the present high level (in 2007–2013 Bavaria received €880 million);
- opposing Turkey's accession to the EU (and the plan to abolish the visa regime for Turkish citizens) alongside a sceptical stance on the possible enlargement of the EU to include other states, including from the Western Balkans.

2.3. Russia

The CSU views Russia as one of the most important global partners with which it is necessary to seek agreement (including in security issues) and whose interests need to be taken into account. At the same time, the CSU is in favour of the strategy of waiting until the end of Vladimir Putin's presidency and hoping for a reset of Russia's relations with the West once it is over⁴². The CSU intends to act as the 'promoter of bridges' connecting the West and Russia. It is in favour

⁴² See. A. Kwiatkowska-Drożdż, *Germany on Russia. Yes to links, no to rapprochement*, 'OSW Point of View', 3 March 2014, https://www.osw.waw.pl/sites/default/files/pw_39_germany_on_russia_net_0.pdf.

of a gradual lifting of sanctions against Russia provided that Russia meets the requirements defined in the Minsk deal⁴³. Bavaria's prime ministers pay regular visits to Russia because they see this as an opportunity not only to pursue economic interests, but also to exert influence on Berlin's decisions on Moscow and to confirm Bavaria's supra-regional foreign policy ambitions.

The special status of these relations primarily results from the potential of the Bavarian economy and its major share in German-Russian trade. Although the value of Bavaria's exports to Russia is relatively insignificant (in 2017 it stood at €3 billion annually – three times lower than its exports to the Czech Republic; in 2017 the value of Bavaria's imports from Russia stood at €4 billion), Bavaria is Russia's most important trade partner of all the German states. Around 25% of German investments in Russia come from Bavaria. The state generates 15% of German-Russian trade⁴⁴. The Russian side receives representatives of Bavaria in line with the protocol reserved for prime ministers of states (meetings with President Putin, including in his residence near Moscow). Aside from close and regular economic contacts, Bavaria and Russia develop their relations in the fields of education, science and culture⁴⁵.

2.4. China

China is Bavaria's most important trade partner in Asia⁴⁶. In 2017 Bavaria's exports to China rose by 7.1% and were worth €16 billion, its imports increased by 6.5% and stood at €15.4 billion⁴⁷. The dynamic development of Bavaria's

⁴³ The CSU's political programme ahead of the Bundestag elections, *Der Bayernplan. Klar für unser Land*, 25 July 2017, https://www.csu.de/common/download/Beschluss_Bayernplan.pdf.

⁴⁴ *Bayerisch-russische Wirtschaftsbeziehungen und aktuelle Entwicklungen in der russischen Wirtschaft*, 23 August 2016, https://www.bavariaworldwide.de/fileadmin/user_upload/ausland_asien_russland/bilder/2016-08-23_bericht_wirtschaftsbeziehungen_bayern_russland.pdf.

⁴⁵ M. Ehm, *Brücken bauen*, 'Bayernkurier', 5 February 2016, <https://www.bayernkurier.de/inland/10260-bruecken-bauen/>. In 2017, Bavaria signed a memorandum on strengthening the cooperation in the field of culture; in March 2017 Bavaria's prime minister Horst Seehofer paid a visit to Moscow, and in 2016 Bavaria's minister of Economic Affairs Franz Josef Pschierer travelled to Russia with a delegation of Bavarian industry representatives.

⁴⁶ Asian states are Munich's second (after the EU) trade partner globally; they account for 17.4% of Bavaria's exports and 17.5% of its imports.

⁴⁷ Data after: Bavaria's State Ministry of the Economy, Development and Energy, *Der Außenhandel Bayerns 2017*, June 2018, https://export-app.de/uploads/Der_Aussenhandel_Bayerns_2017.pdf and The Statistical Office of the Free State of Bavaria <https://www.statistikdaten.bayern.de/genesis/online?operation=previous&levelindex=2&levelid=1547041931549&step=2>.

economic relations with China results from the activity of numerous Bavarian companies (including production companies) in the Chinese market (around 2,000 businesses) and many years of Bavaria's political cooperation with both China as a whole and with specific Chinese states. Franz Josef Strauss was the first West German politician to meet with Mao Zedong, which triggered intensive cooperation at the regional level. Bavaria signed partnership agreements with two Chinese states: with Shandong in 1987 (in 1897–1914 a portion of this state had been a component of a Germany colony) and with Guangdong in 2004. Bavaria has representative offices in both states. In May 2017, during his visit to China, Horst Seehofer announced that another representative office would be opened. Prime ministers of Bavaria pay regular visits to China (most recently in 2017) and the leaders of China have visited Bavaria (in 2011). Cooperation in the higher education sector is of particular importance to both partners. More than 160 academic partnerships have been launched and around 4,000 Chinese academics study in Bavaria, which makes them the largest group of non-EU foreign students.

IV. BAVARIA'S MAIN DEVELOPMENT CHALLENGES AND THE OUTLOOK

Bavaria is the largest, richest and fastest growing federal state in Germany. In terms of population (13 million) it is the second largest federal state in Germany. Even in 1950, the country's southernmost state was still a typical agricultural region; at that time a third of all workers were employed in the agrarian sector, although at present the sector employs only about 4% of the workforce. Bavaria's gross domestic product in 2017 amounted to €594 billion, bigger than that of Poland. Since the crisis and recession of 2008 Bavaria's GDP has risen by 15%, and has shown the fastest rate of growth in Germany. In the quarter century since German reunification, Bavaria's GDP increased by 56%. Bavaria's *per capita* GDP (€45,810 in 2017) is second only to two *Länder*-cities, Hamburg and Bremen. The Bavarian economy represents 18% of the German economy. 8 of the 30 companies listed on the German DAX index have their headquarters in Bavaria⁴⁸. The municipality with the highest average salary in Germany is located in Bavaria (Ingolstadt, €4635 gross in 2017). Bavaria is also the second largest exporter of Germany's states (goods worth €192 billion were exported from Bavaria in 2017). For years it has also boasted the country's lowest unemployment (2.7% in December 2018).

The foundations of Bavaria's thriving economy consist above all of a strong automotive industry, the internationalisation of its businesses, and the state's good demographic situation, which is linked to migration from other federal states. The automotive industry in Bavaria employs about half of the people working in this sector in Germany, around 400,000 people in more than 1100 companies. Industry sales in 2017 amounted to €109 billion, and 25% of the cars produced in Germany came from Bavaria. Companies such as BMW, Audi, Siemens and MAN have their headquarters in the state. Bavaria's most important industrial sectors, in addition to the automotive industry, are the pharmaceutical industry, technology, and optical electronics. Tourism is also important, generating annual revenues of around €24 billion (2016).

Bavaria is making good use of its present development opportunities. However, in the next couple of years the state itself and the CSU will face challenges related to changes in the way people work and in adapting to Industry

⁴⁸ The largest joint stock companies in terms of capitalisation and trading index. See M. Dollinger, *München - Die Hauptstadt des Dax*, Merkur, 3 June 2016, <https://www.merkur.de/wirtschaft/prosiebensatl-steigt-erste-boersenliga-auf-muenchen-hauptstadt-dax-6182866.html>.

4.0. In Germany, this concept involves building large production plants capable of autonomically coordinating their joint production processes. This is intended to help German companies achieve a dominant position in the smart devices and driverless cars market, city mobility systems, comprehensive systems for generating energy from renewable sources, and in improving energy efficiency. This requires a radical change to the business models applied by German producers, greater digital literacy and guaranteed access to cutting-edge IT infrastructure and the necessary data⁴⁹.

1. An assessment of Bavaria's competences

In 2015, the strategic consulting company McKinsey prepared a list of areas that are of key importance for Bavaria's development to 2025. The list indicates that the state is at risk of losing its leading position as an innovation leader in Germany, which will make it difficult for it to maintain its sustainable development in the future⁵⁰. Bavaria's strong points include: its resistance to crises (during the recession in 2009 Bavaria's GDP declined by a mere 4%); the large number of patent applications (second only to Baden-Württemberg); the high quality of education (especially in the field of mathematics and the natural sciences), as well as the high quality and availability of healthcare. However, Bavaria has less impressive achievements in categories such as social stratification, the number of start-ups⁵¹, the availability of LTE Internet⁵² and broadband Internet (Bavaria is lagging behind Sweden, Norway and Finland – countries which Munich considers to be models of development) and the ability to integrate immigrants; making university education available to individuals coming from families without an academic background (in Bavaria it is more difficult for individuals whose parents have no university-level education to graduate from a university than in many other German federal states including Hesse, Lower Saxony and North Rhine-Westphalia).

⁴⁹ K. Popławski, R. Bajczuk, *Industry 4.0. Germany's new industrial policy*, 'OSW Report', March 2018, https://www.osw.waw.pl/sites/default/files/Report_Industry%204.0_net.pdf.

⁵⁰ See *Bayern 2025*, McKinsey, March 2015, the report commissioned by Bavaria's government offered a detailed analysis of Bavaria's preparedness for competition in an innovation-based economy, both with other German states and with states Bavaria considers model states.

⁵¹ Berlin is Germany's most attractive city for start-ups. Aside from Hamburg, it has the biggest share in profits earned by these companies and the highest investment level; Rundfunk Berlin-Brandenburg, *Berliner Startups sind die umsatzstärksten in Deutschland*, 25 April 2018, <https://www.inforadio.de/dossier/2018/wir-muessen-reden---projekt-2018/unser-programmiertes-leben/startups-vergleich-umsatz-berlin-hamburg-muenchen.html>.

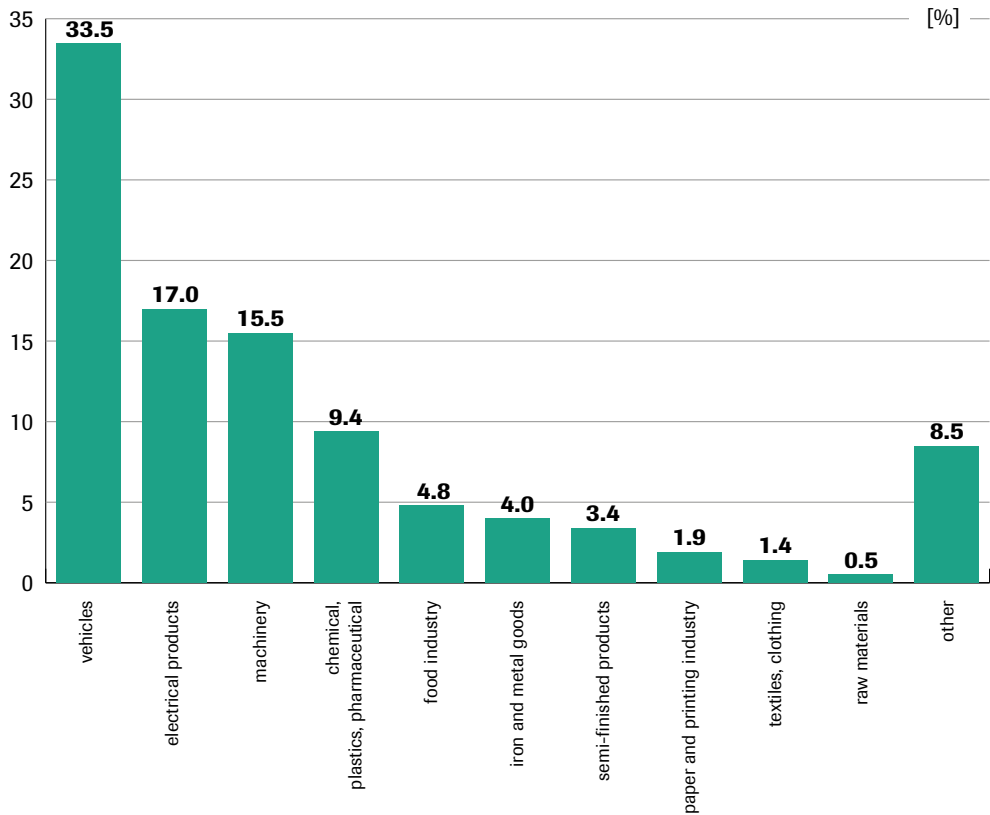
⁵² In 2014, 88% of the urban population had access to mobile Internet, whereas in German city-states (Berlin, Hamburg and Bremen) this proportion was 100%.

Most of Bavaria's deficiencies identified in the report limit the inflow of investments. They also pose a threat to sustainable economic development and may trigger increased social spending. According to McKinsey's report, the main challenges the Bavarian economy faces include⁵³:

- changing business models - the switch from traditional production (which accounts for a major portion of Bavaria's economy) to cutting-edge technologies and start-ups; supporting innovation at traditional production-based companies (e.g. Siemens, Audi and BMW);
- enhancing the venture capital sector - mid- and long-term investments in private companies at the early stages of their development, which bear a high risk of investment failure. In 2012, the share of IT sector investments of this kind per inhabitant calculated for Bavaria was around €4 (the German average is €3), compared to €47 in the US;
- expanding the participation of emerging markets in Bavaria's exports - in 2013 their share was 5.3% (the German average is 5.4%); it is 20.1% in the US;
- changes in education - forecasts indicate that the demand for 'creative' employees will increase by 16% by 2035, whereas the demand for labourers will decrease by 27%.

⁵³ Data taken from: *Bayern 2025, op. cit.* pp. 37-38.

Chart 3. Bavaria's exports by product groups 2016



Source: Bayerisches Landesamt für Statistik

2. Development strategies

Bavaria's government has thus far responded to the challenges identified in the report by developing three strategies: the digital strategy (*Zukunftsstrategie Bayern Digital* adopted in 2015 and supplemented in 2017 by another package – *Masterplan Bayern Digital II*), the strategy of the sustainable development of rural and urban areas (*Heimat Bayern 2020*, adopted in 2014) and the Alpine strategy (*Zukunftsstrategie für den bayerischen Alpenraum Lebens-, Natur- und Wirtschaftsraum mit Zukunft*, adopted in 2016).

The purpose of these strategies is to improve Bavaria's competitiveness by boosting its IT potential to cover the whole of the state (instead of only the main urban, industrial and university centres). As regards investments (totalling €5.5 billion by 2022), emphasis has been placed on the development of modern jobs, for example in the field of artificial intelligence research, 3D printing, 5G telecommunication systems, driverless cars and cyber

security⁵⁴. Balanced regional development is intended to prevent the depopulation of rural areas and unemployment, and to ensure access to high quality services such as those offered in big cities⁵⁵. The Alpine region development plan, in turn, is intended to improve environmental protection in the Alps and to help Bavaria maintain its status as the main travel destination for tourists visiting Germany (in 2016 more than 35 million people visited Bavaria; it is the most popular tourist destination of all the German states)⁵⁶.

In his April 2018 speech regarding Bavaria's plans for the next two years, the state's prime minister Markus Söder did not announce any reform plan as regards Bavaria's most important industry – the automotive sector. He failed to announce what many experts expected, i.e. support for this sector's transformation, for example by offering preferential solutions for driverless and electric cars. Bavaria does not intend to change its education models. To meet the increasing demand for skilled workers, Bavaria adopted a programme intended to boost the number of residents active in the labour market. However, due to the current absence of unemployment in Bavaria (2.7% in December 2018), the pool of potential new employees in the state is insufficient to meet demand from employers. Similarly, there is no concept for the integration of immigrants beyond those announced by Bavaria's prime minister: language classes and classes on German society and the principles of democracy. Finally, the state is not making any efforts to expand its activities to include new emerging markets.

3. Outlook

Both the present model of Bavaria's development and the CSU's domination on its political scene are changing. Both Bavaria and Germany as a whole will have to face new challenges related to the transformation and digitisation of industry, which may undermine the state's present economic model. In the medium term, Bavaria also faces challenges related to changes in the way people work and in adapting to Industry 4.0. This includes changing business models, enhancing the IT industry and developing start-ups, expanding the

⁵⁴ *Masterplan Bayern Digital II*, Bavaria's State Ministry of the Economy, Development and Energy, 30 May 2017, http://www.bayern.de/wp-content/uploads/2014/09/17-05-30-masterplan-bayern-digital_massnahmen_anlage-mrv_final.pdf.

⁵⁵ *Regierungserklärung 'Heimat Bayern 2020'*, *op.cit.*

⁵⁶ *Tourismus*, Bavaria's State Ministry of the Economy, Development and Energy, 19 April 2018, <https://www.stmwi.bayern.de/tourismus/>.

participation of emerging markets in exports, changes in education, as well as the availability of LTE Internet and the ability to integrate immigrants. Nevertheless, Bavaria remains Germany's strongest state and has sufficient attributes to be able to implement large-scale innovative projects that would allow it to maintain the present living standards of its residents and its quick pace of development.

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