

Merkel Courts Germany's Skittish SPD as Talks Open on Government

Chancellor Angela Merkel attends the weekly cabinet meeting at the Chancellery in Berlin, Germany, December 13, 2017. REUTERS/Axel Schmidt Reuters

BERLIN (Reuters) - Germany's Social Democrats (SPD) held their first formal talks on forming a government with Angela Merkel's conservatives on Wednesday, more than two months after the national election that plunged Europe's largest economy into unaccustomed uncertainty.

Merkel, weakened by heavy election losses to the far-right and then by the collapse last month of talks on a three-way alliance, is pinning her hopes on the SPD for a fourth term as chancellor and to avoid new elections.

Merkel's conservatives have already been ruling in a "grand coalition" with the SPD since 2013, but the SPD had planned to go into opposition after being punished by voters with its worst election result since World War Two.

However, after coalition talks with other parties collapsed, Merkel has had no place to turn but back to the SPD.

Sensing that her lack of alternatives leaves it in a strong position, the SPD said it would agree to share power only if it wins commitments on more generous social policy.

"A decisive point for the SPD is that the social agenda has more prominence in Germany," leading Social Democrat Carsten Schneider told German television ahead of the talks, demanding "fairness for ordinary heroes."

Merkel made no comment as she arrived at the Berlin parliament building for talks with SPD leader Martin Schulz and the leader of her Bavarian conservative allies.

But the mood between the two parties is still sour and Merkel herself has been a frequent target of criticism by the Social Democrats.

The secrecy surrounding the talks underlined their sensitivity. With both sides

having a lot to lose, the parties plan no public statements when talks conclude on Wednesday evening.

Schulz has made a pitch for EU integration leading to a “United States of Europe” by 2025, and the SPD wants a big spending boost on education, more nursery spots and a big healthcare reform. Merkel wants to maintain Germany’s solid finances, cut some taxes and expand the digital infrastructure.

The SPD had vowed to go into opposition after its dismal election result and only softened its approach, agreeing to meet Merkel, due to pressure from President Frank-Walter Steinmeier, who wants to avoid new elections.

The SPD pulled no punches in attacking Merkel during the election campaign. Schulz has described Merkel, known for pragmatism rather than vision, as a vacuum cleaner of ideas and has also accused her of silencing debate on issues.

A row last month over a conservative minister breaking protocol to back an extension for an EU license for a weed-killer despite SPD opposition hurt ties at a crucial time.

One of the SPD’s deputies, Ralf Stegner, adopted a combative tone on Wednesday, saying nobody could dictate the terms to the SPD as the conservative bloc needed the party to rule.

Some in the SPD are prepared to contemplate another grand coalition, albeit with a clear SPD signature, but others prefer the idea of tolerating a minority government under Merkel.

One other option is a “KoKo” (cooperation coalition) agreement under which the SPD would agree to work with Merkel in some areas, such as a budget and European and foreign affairs, but force her to seek ad hoc majorities for other policies.

This idea is unpopular with conservatives who prefer a grand coalition.

“We have to try it - but please, seriously,” Carsten Linnemann, head of a group representing small and medium-sized businesses in the conservative bloc, told ARD television.

(Additional reporting by Thomas Escritt; Editing by Peter Graff)

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