

Prospects & Perspectives



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Will the AfD's Shocking State Election Win Discourage Investments in 'Silicon Saxony' and Damage Taiwan-Germany Ties?

By *Andreas Fulda*

In times of geopolitical turmoil, Germany has long been seen as a haven of political stability. Technocratic politicians such as Chancellor Merkel (2005-



2021) of the Christian Democratic Union (CDU) or Chancellor Scholz (2021-) of the Social Democratic Party (SPD) have dominated German politics for decades. But state election results in the Eastern part of the country on September 1 have raised worries about the future of democracy in Germany.

In Saxony the anti-immigrant Alternative for Germany (AfD) almost beat the governing CDU, which came on top with 31.9% of the popular vote. Pundits were stunned by the fact that a political party that has been classified by the Federal Office for the Protection of the Constitution as “definitely right-wing extremist” managed to achieve 30.6% of the vote. While the AfD may fail to form a working coalition government, this state election marks a turning point for German politics. The AfD evolved from a small splinter party on the center-right to a populist right-wing party with an anti-immigrant agenda. A key turning point was Chancellor Merkel’s decision to allow one million Syrian refugees into Germany in 2015. With a strong election result of 32.8% in neighboring Thuringia, the AfD underscored its political ambitions.

Yet the meteoric rise of the party has also been marred by scandals exposing unsettling links between the AfD and Russia and China. A leading German weekly magazine, *Der Spiegel*, recently reported that AfD politicians were exposed as traitors to their country due to possible payments from Russia and an alleged Chinese spy. Such reports have raised doubts about the AfD’s patriotism.

Threat to ‘Silicon Saxony’?

How concerned should the international community be about the rise of AfD? How will international investors react, especially those who have invested in the Information and communication technology (ICT) cluster dubbed “Silicon Saxony”?

Following the reunification of Germany in 1990, successive federal governments have sought to attract international investors to East Germany. Former Chancellor Kohl’s promise of “flourishing landscapes” never materialized, but there have been recent successes in attracting investors and creating jobs. Currently, Intel is building two chip plants in Magdeburg. A €30 billion-plus investment is planned by the American company in exchange for subsidies worth €10 billion. A second example is Taiwan’s leading semiconductor manufacturer TSMC. On August 20, 2024, a groundbreaking



ceremony took place in Dresden to mark the building of a first semiconductor fab by ESMC, a joint venture between TSMC, Robert Bosch GmbH, Infineon Technologies AG and NXP Semiconductors N.V. Could the victory of Germany's far-right AfD in Saxony jeopardize such investments in future?

In Dresden, the capital of Saxony, a majority of voters supported democratic parties such as the CDU, SPD, or Greens. In many countries, liberal viewpoints in cities differ significantly from the more conservative outlook in the countryside. Thus, Taiwanese expats who live in Dresden can continue to enjoy the cities' historical landmarks and its welcoming culture. This is also true for other Taiwanese companies such as the motion control specialists HIWIN, which has been successfully operating in the southern state of Baden-Württemberg for many years. This does not mean, however, that the rise of AfD will not have consequences, for Germany, Taiwan and beyond.

Instability on the horizon

Excluding the AfD from Saxony's state government would require an unlikely and rather uneasy marriage of convenience between the center-right CDU, the far-left Linke as well as the pro-Kremlin party BSW by former Linke politician Sahra Wagenknecht. Another possibility would be a minority government of AfD and BSW. The second coalition option would bring together the far-right and far-left. Neither of these two coalition models promise political stability. And on September 22, 2024, a third state election will take place in Brandenburg. If election polls are anything to go by, the AfD is likely to once again gain the top spot. There are rumblings in the SPD that a repeated dismal showing of the governing party at the state level may lead to calls for Chancellor Scholz to resign. Defence Minister Pistorius, who remains one of the more popular SPD politicians, could be asked to replace Scholz before the next general election in 2025.

But Germany's political woes go deeper. Whereas the far-right AfD has strong nationalistic undertones, the far-left BSW is organized along Leninist principles. Both parties oppose NATO and have called for a stop of arms transfers to Ukraine. While the AfD and BSW are still a way off from having any real political power at the federal level, their protagonists already have an outsized influence on the public debate. And while the political centre still holds, it is likely that relentless attacks from the far-right and far-left will have a



considerable impact on centrist politicians. Under pressure by both the AfD and BSW, the center-left SPD has begun to water down its already rather lukewarm support for Ukraine. And following the terror attack by an Islamist in Solingen leading politicians of the centre-right CDU have started to ape the anti-immigrant rhetoric of the AfD.

Setting the agenda

The AfD and BSW are likely to set the national political agenda for years to come. This will complicate Germany's search for a new strategic culture in an increasingly fraught geopolitical environment marked by a stark rivalry between democracies and autocracies. Their rise in the polls will make it harder for those who argue that Germany has a responsibility to defend open societies against its enemies. This also has implications for Germany's relationship with Taiwan.

Just like Ukraine, Taiwan has to defend its young democracy against a neighboring radical revisionist autocratic regime. For the German public, it has been relatively easy to understand that Putin has been waging an illegal war of aggression against Ukraine. In the case of Taiwan, however, the public's understanding of Beijing's "One China" *principle*, Berlin's "One China" *policy* and Taipei's insistence on Taiwan's *de facto sovereignty* is much harder to explain. While TSMC's investment in Dresden is helping to mitigate risks in Germany's supply chain in the automobile industry, it is less clear how much Taiwan writ large is benefiting politically from such investments. With the AfD and BSW gaining in popularity, the danger is that pro-Kremlin and pro-Beijing politicians will continue to dominate German politics. This, in turn, will make it harder to explain why it is also in Germany's national interest to preserve a free and democratic Taiwan. Yet TSMC's continued presence in Dresden will certainly help make this case.

(Andreas Fulda is Associate Professor at the School of Politics and International Relations, University of Nottingham.)

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Prospect Foundation

No.1, Lane 60, Sec. 3, Tingzhou Rd., Zhongzheng District
Taipei City, 10087, Republic of China (Taiwan)

Tel: 886-2-23654366 Fax: 886-2-23679193

<http://www.pf.org.tw>

