

Under The Radar

While the media landscape is preoccupied by COVID-19, politics and business grinds on. 'Under the Radar' provides a concise overview and thoughtful analysis of critical stories currently being overlooked.



Merkel's new heir

What happened?

According to a recent Der Spiegel poll, Markus Söder, the Minister President of Bavaria, is now seen as the most promising candidate for the chancellorship. Almost 46% of the respondents believe that the ruling CDU/CSU would have the best chance in the election next year with Söder in charge. The four other leadership contenders Freidrich Merz, Armin Laschet, Jens Spahn and Norbert Röttgen trailed behind, all scoring under 15%. Other polls indicate that Söder is currently the most popular politician in Germany, even eclipsing the ever-popular Merkel.

What does it mean?

Merkel's designated successor, Annegret Kramp-Karrenbauer, announced in February that she would resign as CDU leader and would not seek the chancellorship. The decision, which came following a plunge in popularity, triggered a power struggle within the CDU. Markus Söder now appears to have won out, establishing himself as the firm favourite to succeed Merkel when she steps down next year.

Söder has been at the helm of the Christian Social Union (CSU), the Bavarian sister party of Merkel's CDU, since 2018. He is also the leader of Bavaria, Germany's largest region.

Prior to the pandemic, he had a reputation for being a strongman eccentric with a penchant for fancy dress. But his handling of the Coronavirus crisis has changed opinions. Söder's leadership style throughout, which has displayed both empathy and a willingness to impose hard-line public-safety measures, has proved wildly popular. So much so that his approval ratings in Bavaria have hit unprecedented highs of 94 percent.

Söder has distinguished himself as an excellent and self-assured communicator, particularly when compared to Merkel's dreary and technical public health addresses. He has also been more decisive in his response to the virus, taking the reins from central government to impose a considerably stricter lockdown in his region, and offering greater assurances to local businesses. He made it his mission to do what he thought was best for Bavaria, even if it strained the limits of Germany's federalist system, and for that he has won many a plaudit.

Now Söder is inevitably being touted as the frontrunner to succeed Merkel. Despite insisting that he has no interest in the chancellorship, few would doubt that Söder aspires to the job. Whether he manages to translate his newfound stardom into a credible leadership bid, once the long-drawn-out CDU leadership battle finally resumes, remains to be seen. In modern times, only two Bavarian politicians have run for the chancellorship and both failed. But as they say – third time's a charm.

Are Presidential pardons on the table?

What happened?

President Trump weighed in today on the cases of Michael Flynn and Roger Stone, both of whom were prosecuted for their roles in the Trump-Russia affair as part of the Mueller investigation, prompting much speculation of an incoming pardon for both men. The President posted a series of tweets supporting both Flynn and Stone and criticizing their treatment.

Trump's rage was prompted when Flynn's lawyers released FBI emails and handwritten memos where officials debated how to approach interviewing Flynn. In one apparently damning handwritten note, an official asks "what's our goal? Truth/admission or to get him to lie, so we can prosecute him or get him fired?". Legal and police analysts commented that such tactics are frequently used when pressuring witnesses into cooperation and should be taken with a grain of salt.

On Stone, the Justice Department this week released 33 search and arrest warrants issued against Trump's former political guru, who was convicted of lying to Congress and witness tampering in November. Revelations included the fact that Stone obtained a massive amount of Facebook accounts in order to spread propaganda during the 2016 Presidential election and the extent of previously-denied conversations between Stone and Wikileaks Founder Julian Assange.

What does it mean?

Welcome to the sausage making involved in building complex criminal cases, everybody! Not that the finer points of the sometimes-dodgy world of criminal prosecution will matter much to Trump or his supporters. And given this President's willingness to stretch the boundaries of decorum and good taste, who will claim to be surprised if Trump does stroke his pardon pen for both men?

A pardon for Flynn, his former national security advisor who pleaded guilty to making false statements to the authorities, is so far looking the more likely. And today's revelations certainly suggest a fix was in. What Flynn's advocates aren't mentioning, however, is any discussion over the rather more serious charges that Flynn dodged for his cooperation with the FBI on Russia, namely his failure to register as a foreign agent while doing work for the Turkish government, and the dropping of equally serious charges against his son. In other words, Flynn might have played ball on Russia but he is still bent.

As for Stone, pardoning him will simply be a matter of taste. And given Presidents passim have pardoned dirtbags galore (see: Clinton, Bill pardoning Rich, Marc), it's entirely within the norms of bad taste for Trump to pardon the original 'dirty trickster'. That Stone was caught with his hand in the cookie jar doesn't matter. If people are disgusted by Presidential pardons the problem both predates and extends beyond Trump.

Walking the wire

What happened?

Following the publication of KPMG's damning report, shares in Wirecard, the poster boy of Germany's fintech sector, have collapsed by 34% since Tuesday.

Wirecard's problems date back to early 2019 when the FT raised concerns with the firms' questionable accounting methods. KPMG were hired to in an independent capacity to categorically refute such claims and to put investors' minds at ease.

Despite being vindicated by KPMG's report, Wirecard now find themselves having to answer some deeply concerning questions around: how cash reserves are calculated; how the revenue generated by third-party business partners is booked; and why staff were uncooperative with KPMG during their investigation.

What does it mean?

Wirecard were banking on KPMG's report to draw a line under what has been a rocky year for the company tipped to become Germany's next tech giant. They have consistently rejected accusations of invented profits, claiming internal documents scrutinized by the FT were faked. Backed into an increasingly tight corner, Wirecard bosses assured doubters that the 'special' audit would prove them right. As it turns out, the report raises more questions than it answers.

Wildcard CEO Markus Braun's job security is now teetering on the brink. He has put on a brave face, maintaining that the report found no evidence of the fixing of balance sheets and merely took time because of the complexity of the data involved. But excuses are falling on deaf ears as the sharks begin to circle. Among the powerful stakeholders calling for his removal is Christopher Hohn, one of Europe's best known and most successful investors and manager of the \$24bn Children's Investment fund. When Hohn talks people tend to listen.

“Excuses are falling on deaf ears as the sharks begin to circle”

The impact of these allegations could be far more wide-ranging than a short-term drop in share prices. Lest we forget the Volkswagen emission scandal of 2015-11m vehicles worldwide manipulated to fool emissions tests- which tarred the previously stellar standing of the German automotive sector. It singlehandedly prompted VW to shift its business model to the production of electric vehicles to repair the reputational damage. Wirecard will hope that its current predicament does not spiral further out of control- the reputation of the German fintech sector could be at stake.

What Trafalgar Is Reading

Is Justin Amash a Threat to Biden or to Trump?

[The New York Times](#)

“Mr. Amash’s move should not have surprised anyone (or caused any heads to explode), and it is also far from clear, if history is any guide, that he will hurt Mr. Biden more than Mr. Trump.”

- Liz Mair gives her take on Representative Justin Amash’s impact on the election after he launched a presidential exploratory committee.

Tesla: taking a step back

[Financial Times](#)

“We’ll leave you to run the numbers on what that translates to in terms of Tesla’s share price but here’s a hint: it’s a touch lower than \$830”

- Jamie Powell on Tesla’s current valuation and whether it actually makes any sense.

But if you must read about Coronavirus

Business would do well to solve its problems before the government does

[Reaction](#)

“Any business that thinks a clever advertising campaign or bit of confected PR will be enough to paper over any bad behaviour either during or pre-COVID 19 is dreaming in technicolour. People are in the mood for a reckoning, not more of the same.”

- Trafalgar’s Founder Giles Kenningham and Director Andrew MacDougall on why businesses should solve their pre-Coronavirus problems before the government steps in to solve them after.



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