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REBOOT

LONGSTANDING PARTNERS IN CHANGING TIMES

REPORT OF THE TASK FORCE ON THE FUTURE
OF GERMAN-AMERICAN RELATIONS

MAY 2015

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LONGSTANDING PARTNERS IN CHANGING TIMES

Report of the Task Force on the Future of German-American Relations

May 2015

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1 The Task Force on the Future of German-American Relations

As much as ever, strong transatlantic relations matter. Cooperation between Europe and the United States is vital not only to manage day-to-day business and economic and security crises, but also to build a new global order to augment the increasingly fragile and ineffective structures built after World War II. Central to that strong transatlantic bond is the relationship between Germany and the United States. These two countries have been steadfast allies for 60 years, but their bilateral ties would benefit from a reassessment of what binds them and why continued strong cooperation benefits both sides.

The German Marshall Fund of the United States (GMF) assembled an interdisciplinary group of experts and stakeholders for a weekend in Germany to reassess the fundamentals of the German-American relationship and make recommendations to renew and strengthen bilateral ties.

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We would like to thank the following people, who provided valuable input into preparatory discussions for the task force:

Philipp Ackermann, German Embassy, Washington, DC; James D. Bindenagel, Universität Bonn; Heather Conley, Center for Strategic and International Studies; Heidi Crebo-Rediker, Council on Foreign Relations; Claus Gramckow, Friedrich Naumann Foundation; Ingrid Hamm and Christian Hänel, Robert Bosch Foundation; Dan Hamilton, Center for Transatlantic Relations; Jackson Janes, American Institute for Contemporary German Studies; Robert Kagan, Brookings Institution; Rüdiger Lentz, Aspen Institute Germany; James Melville, U.S. Embassy, Berlin; Michael Meier, Friedrich Ebert Stiftung; Eveline Metzen, Atlantic Brücke; Detlef Wächter, German Foreign Office; Marie Warburg, American Council on Germany; and Peter Weichlein, U.S. Association of Former Members of Congress.

Task force members do not necessarily agree with or endorse all aspects of the analysis or recommendations in this report.

2 Partners with Challenges

Much has changed in the world from the late 1940s when German Chancellor Konrad Adenauer chose the path of *Westbindung*, or Western integration, and a close partnership with the United States. Even the Europe of 2003 — which had never been “so prosperous, so secure” and was enjoying an unprecedented “period of peace and stability,” as the European Union described it in its security strategy — can hardly be recognized. Instead, Europe is facing threats to its security from a revanchist Russia, while misrule, upheaval, and sectarian violence have created a belt of chaos south of Europe’s shores. Terrorism threatens our societies from afar and within. China’s rise is unsettling Asia just as global economic and demographic shifts increasingly challenge the current international system. Meanwhile, Germany has become Europe’s powerhouse, as it complements its dominant economic position with a stronger foreign policy profile. And while the United States has recovered from the 2008 financial crisis and withdrawn thousands of troops from Iraq and Afghanistan, it is struggling with questions of widening income inequality at home and its leadership in the world. Where does this leave German-American relations today?

The German-American partnership will have to adapt to remain robust and relevant for tomorrow.

The transatlantic partnership is as important as ever, as challenges mount to the liberal economic, political, and security order constructed by Americans and Europeans after World War II. This partnership will be central to sustaining and refining the increasingly fragile global order and the institutions that undergird it for the 21st century.¹ Yet the German-American partnership will have to adapt to remain robust and relevant for tomorrow. The transatlantic relationship can neither be taken for granted nor preserved unchanged. During the decades when Soviet power cast a dark shadow across the entire European continent, the importance of the German-American alliance was self-evident. That has not been the case since German unification 25 years ago. The partners need to again show their citizens why close German-American relations remain essential to tackling the global challenges facing both Europe and the United States, now and in the future.

Germany and the United States have a history of close ties on which to build, from the central role of German immigrants in forming the young American nation to the U.S. role in reconstructing Germany after World War II. German-American relations continue to be significant and vibrant. An estimated 2 million Germans visited the United States in 2014, and about 7.5 million Americans visited Germany in 2013.² The United States is the biggest market for German exports outside of Europe, and Germany is the United States’ largest trading partner in Europe, with a total trade flow worth \$172 billion.³ Germany accounts for more than 10% of total FDI in the United States and over 20% of German FDI comes from

¹ For the sake of readability, this report uses “transatlantic” and “German-American” interchangeably, though, naturally, the transatlantic relationship is much broader than just Germany and the United States, and, of course, Germany and Europe are in many cases indistinguishable. Nonetheless, this task force chose to focus specifically on German-American relations.

² “Forecast of International Travelers to the United States by Top Origin Countries,” <http://travel.trade.gov/view/f-2000-99-001/forecast/Forecast-COUNTRIES.pdf>; “Incoming-Tourism Germany,” German National Tourist Board (2003), http://www.germany.travel/media/pdf/dzt_marktforschung/GNTB-Incoming-Tourism-Germany-2014.pdf.

³ “Top Trading Partners - December 2012,” United States Census Bureau (2012), <http://www.census.gov/foreign-trade/statistics/highlights/top/top1212yr.html#2012>; “Foreign and European Policy: United States of America,” German Federal Foreign Office, http://www.auswaertiges-amt.de/EN/Aussenpolitik/Laender/Laenderinfos/01-Nodes/UsaVereinigtaStaaten_node.html Nodes/UsaVereinigtaStaaten_node.html.

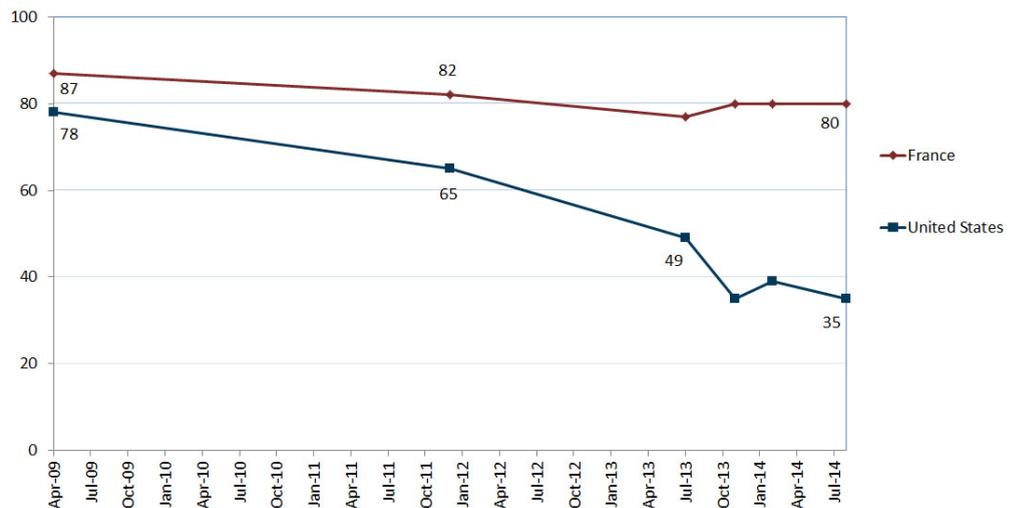
the United States.⁴ The political relationship is also central, with leaders on both sides of the Atlantic consistently underscoring the importance and closeness of their “essential and indispensable” bilateral relationship.⁵

Public Sentiment and the Erosion of Trust

Yet within German society and media, there are clear signs of discontent with the United States. The official ties and trust in each other are not mirrored in the German public’s attitudes toward the United States.

The fallout from the National Security Agency (NSA) spying scandal, which caused what one former German ambassador to the United States calls the worst crisis in transatlantic relations since World War II, continues to reverberate, and is still being investigated by a committee in the German Bundestag.⁶ According to the German Marshall Fund’s *Transatlantic Trends* survey, the United States’ favorability among Germans has fallen by 14 percentage points

Figure 1: German Trust in the United States, France



Source: Infratest dimap 2009-14

⁴ Amy Zecha, “German FDI in the United States — Investor Confidence on the Rise,” Tradeology: The Official Blog of the International Trade Administration (2014), <http://blog.trade.gov/2014/04/03/german-fdi-in-the-united-states-investor-confidence-on-the-rise/>; for Germany, “FDI Data - European Stocks at the Top,” Germany Trade and Invest (2013), <http://www.gtai.de/GTAI/Navigation/EN/Invest/Business-location-germany/FDI/fdi-data.html>.

⁵ Frank-Walter Steinmeier to reporters in Vienna on July 13, 2014. Quoted in Arne Delfs, “Merkel Resists Sundering U.S. Ties Over Spying Affair,” Bloomberg Business (2014), <http://www.bloomberg.com/news/articles/2014-07-14/merkel-resists-sundering-u-s-ties-over-spying-affair>

⁶ Klaus Scharioth, “Worst crisis in U.S.-German relations since WW II,” Deutsche Welle (2014), <http://www.dw.de/worst-crisis-in-us-german-relations-since-ww-ii/a-17784707>.

in the past three years, from 72% to 58%.⁷ Compare this to public opinion of the EU, which 75% of Germans view favorably, a number that has remained quite constant over the past five years despite the crises in the euro area. Approval of U.S. President Barack Obama's handling of foreign policy fell 20 percentage points from June 2013 to June 2014, and a majority of Germans now think the European Union should take a "more independent approach" to relations with the United States.⁸ Germans' level of trust in the United States is also low, with only 50% of Germans saying they trust that country in August of 2014 according to an ARD-DeutschlandTrend poll.⁹

Surveillance is not the only point of contention. Perceptions of younger German policymakers and youth have been shaped by controversial issues such as the Iraq war, the Guantanamo Bay Detention Facility, and differences over the welfare state and carbon emissions. The crisis of confidence has carried over to the Transatlantic Trade and Investment Partnership (TTIP) being negotiated by the European Union and the United States as well. Despite the strong support of leaders in Berlin and Washington on what many consider the key proactive transatlantic project of the decade, the German public is increasingly skeptical of the undertaking.¹⁰

A majority of Germans now think the European Union should take a "more independent approach" to relations with the United States.

The Benefits of Partnership

In the first decades after World War II, the official German-American relationship was reflected on the street. Large numbers of U.S. soldiers resided in Germany, Marshall Plan aid was funding an unprecedented economic boom, and people still remembered U.S. planes landing by the minute with food to feed West Berlin. The material and security benefits of Bonn's close ties to Washington were clear to the average German. Today, close cooperation exists at the official level, including a strong relationship between German Chancellor Angela Merkel and Obama. In addition, the United States is still central to Europe's security. The German public, however, harbors suspicions about U.S. motives and goals.

For example, Germans see inequality and a lack of regulation in the U.S. economy as a potential source of financial havoc for Germany, Europe, and across the globe. Germans generally lay the fault for the 2008 global financial crisis on the United States' weak regulatory

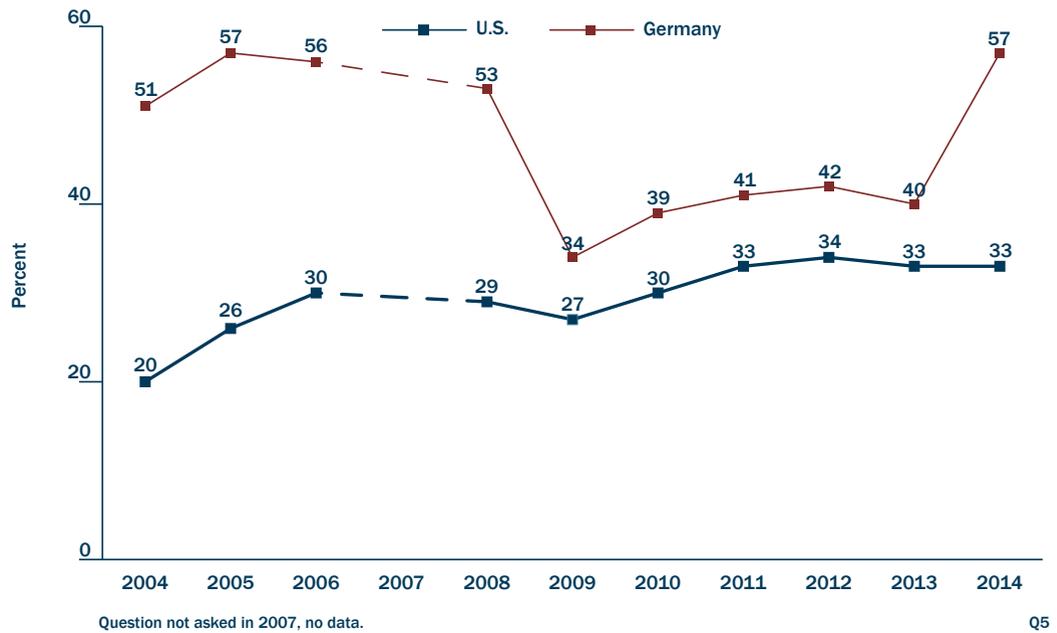
⁷ These numbers reflect total respondents who said they had a "very favorable" and "somewhat favorable" view of the United States. Meanwhile 23% of Germans have an unfavorable view of the EU, while 40% viewed the United States unfavorably in 2014 (p.18-20). "Transatlantic Trends," German Marshall Fund of the United States (2014), http://trends.gmfus.org/files/2012/09/Trends_2014_complete.pdf.

⁸ Ibid.

⁹ Levels of trust plummeted from 78% in 2009 to 35% in July of 2014, according to ARD-Deutschland TREND surveys. In comparison, 87% of Germans trust France; that number has remained almost constant during the same period, despite a number of disagreements between the two countries on eurozone economic policy, Libya, and Syria, to name just a few. "ARD-DeutschlandTrend," infratest dimap (August 2014), <http://www.infratest-dimap.de/umfragen-analysen/bundesweit/ard-deutschlandtrend/2014/august/> and "ARD-DeutschlandTrend," infratest dimap (April 2015), <http://www.infratest-dimap.de/umfragen-analysen/bundesweit/ard-deutschlandtrend/2015/april/>.

¹⁰ In a Pew Research survey question that asked whether TTIP was a "good" or "bad" thing, between 2014 and 2015 in Germany the "good" results lost 14 points (from 55% to 41%) while those seeing it as a "bad thing" increased from 25% to 36%. "Germany and the United States: Reliable Allies," Pew Research Center (May 7, 2015), <http://www.pewglobal.org/2015/05/07/germany-and-the-united-states-reliable-allies/>. See also Peter Sparding "Germany's Pivotal Role on the Way to TTIP," The German Marshall Fund of the United States (November 2014), <http://www.gmfus.org/publications/germanys-pivotal-role-way-ttip>.

Figure 2: More Independent Approach to the Transatlantic Relationship



Source: Transatlantic Trends 2014, The German Marshall Fund of the United States (September 2014), <http://trends.gmfus.org>.

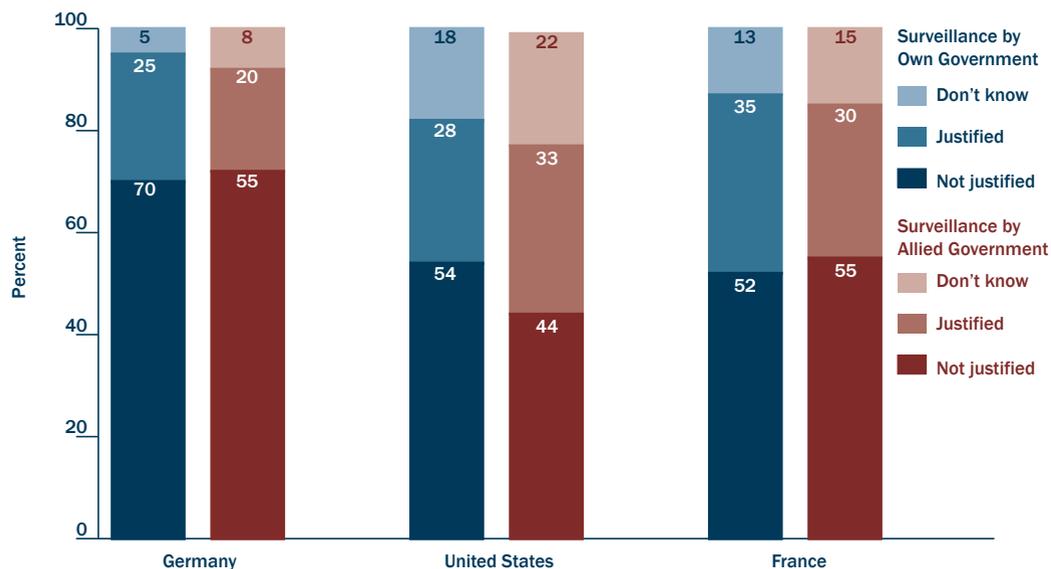
systems, and are skeptical that the recovery underway in the United States can bring long-term stability without stronger financial regulations. The U.S. economic model, rather than fueling German growth, is commonly depicted as a threat to prosperity and stability.

Digital Divide

The digital economy offers a powerful case study of German suspicions of the U.S. role in their lives. Many Germans fear that digitization is changing life and society in ways they do not fully understand and cannot control. U.S. giants like Google and Facebook dominate the digital world, and Germans worry that their leaders have no influence in this new realm and no ability to control this outsized, unwelcome U.S. intrusion. The combination of this U.S. “big data” hegemony and the Snowden revelations about metadata collection by U.S. intelligence agencies has Germans questioning the United States’ democratic principles about protecting privacy and civil liberties. There is a German perception of the United States as a massive digital-government-business monolith, which carries profound and worrying implications for German sovereignty and prosperity.

Meanwhile, this massive crisis of confidence in Germany has barely registered with Americans. Complaints about Google or digital monopolies are often perceived (to the extent that they register at all) in the United States as an outdated aversion to technology or

Figure 3: Opposition to Surveillance



Source: Transatlantic Trends 2014, The German Marshall Fund of the United States (September 2014), <http://trends.gmfus.org>.

as thinly veiled protectionism. Notably, many Americans were as upset as Germans about the encroachments on their privacy carried out by the NSA’s surveillance programs (a fact largely overlooked in Germany), as legislation on Capitol Hill attests. The debate about where to draw the line between protecting security and safeguarding civil liberties is arguably as vibrant in Washington as in Berlin. However, the reports of monitoring of Merkel’s cell phone were received differently in the two countries. Americans tended to view the phone-tapping, at worst, as intelligence overreach and a tactical miscalculation, or as simply stupid; Germans were outraged by this betrayal of trust, and insulted by Americans who thought the German reaction was naïve, rather than principled. Obama immediately stated that the United States “is not monitoring and will not monitor” the chancellor’s communications, but the damage had been done and continues to echo. Since July 2013, *Der Spiegel*, a prominent German weekly, has devoted at least seven cover stories to NSA surveillance, suggesting that the German intelligence service cooperated in illegal surveillance according to German law, that officials in government are withholding information, and that the NSA has been spying on German and European companies. As much as the German and U.S. governments have sought to move beyond the NSA crisis, the German public continues to feel significant questions have not been addressed adequately and is pressing for answers.

Although much of the media coverage of the transatlantic spying scandal cites a fundamental difference of values over privacy and surveillance, in general, U.S. and German views on surveillance in the effort to protect national security are similar. Germans and Americans

The discussions have been more divisive than unifying, in part because of an expectations gap.

have almost identical views of the inappropriateness of their governments collecting telephone and internet data on their own citizens to protect national security, with 25% of Germans and 28% of Americans saying such collection is justified. When asked about collecting such data of citizens in allied countries, Germans are slightly more skeptical than Americans, with only 22% of Germans, as compared to 33% of Americans, seeing such spying as justified.¹¹

Expectations Gap

The problem is less the very real transatlantic differences on certain values as such, whether they are privacy, religion, the welfare state, or gun control. The rub in the relationship instead comes when we need to make trade-offs between competing values and negotiate differences. For example, if we perceive an increased threat from violent extremism, are we willing to lower our safeguards on privacy and civil liberties to undertake greater surveillance to enhance our security? When confronted with such a question, Americans and Germans have been giving different answers — perhaps because they have a different perception of threat levels. Those are conversations that could unite both countries across the Atlantic as both sides grapple with the right policies in a complex era. However, the discussions have been more divisive than unifying, in part because of an expectations gap. The current period of German-American relations rests on an old narrative of the United States as both superpower and savior of a (West) Germany burdened by the Nazi legacy. This bestowed upon the United States a certain moral authority — despite the fact that it has long been questioned, including by the West German Left in the 1960s over civil rights and Vietnam, and a broader swath of the public over the Iraq War and Abu Ghraib. Great expectations were reawakened by Obama's election, only to be dashed later by a foreign policy less different from his predecessor than expected — whether exemplified by a failure to close Guantanamo, a reliance on drones in the fight against terrorism, or the NSA revelations.

Even as the past decades have fundamentally changed Germany's position vis-à-vis the United States and internationally, the asymmetry and level of expectations remain. Americans have a generally positive view of Germany — 60% described their view as positive in December 2013 and in May 2015, 72% of Americans viewed Germany as a reliable ally (versus 62% of Germans who see the United States as a reliable ally).¹² But the U.S. public pays much less attention to Germany. And elites view the relationship through a strategic, rather than a sentimental lens. German perceptions of the United States, on the other hand, are strikingly volatile: only about half of German respondents expressed warm feelings towards the United

¹¹ Constanze Stelzenmüller and Josh Raisher, "Transatlantic Majorities Oppose Domestic Surveillance," The German Marshall Fund of the United States (November 2013), http://trends.gmfus.org/files/2013/11/TTBrief_DomesticSurveillance_Nov13.pdf.

¹² "Perceptions of Germany and the Germans among the U.S. Population," Magid (2013), <http://www.germany.info/contentblob/4114404/Daten/3877688/PerceptionsofGermany2013PDF.pdf>. See also "Transatlantic Trends - Topline Data 2012," The German Marshall Fund of the United States (2012), <http://trends.gmfus.org/files/2012/09/TT-2012-Topline-Data.pdf> and "Germany and the United States: Reliable Allies," Pew Research Center (May 7 2015), <http://www.pewglobal.org/2015/05/07/germany-and-the-united-states-reliable-allies/>. For Germans, France ranked higher as a reliable ally (78%), and 85% of Americans see Britain as a very/somewhat reliable ally.

States in 2008, the last year of the Bush presidency, that figure jumped to 70% immediately after Obama's election and then had fallen to 58% again by 2014.¹³

Some of the souring of German public opinion toward the United States reflects a larger trend of political fragmentation and disaffection among German citizens that is coloring transatlantic relations.¹⁴ The last few years have seen a rise of populist Euroskeptic parties and protest movements across Europe, including in Germany. Many of these Euroskeptic parties like Germany's AfD and protest movements like Patriotic Europeans Against the Islamization of the West (PEGIDA) have an anti-globalization and anti-U.S. element (which is explicit in the case of PEGIDA's small anti-U.S. offshoot PEGADA).¹⁵ As public trust in elites erodes, skepticism over a distant authority becomes all the more pronounced. In the United States, too, there is a deep questioning of whether the U.S. system can deliver for its citizens, whether one is talking about income inequality or tensions around race and values. Both domestic governance and international partnerships depend on the governments in Berlin and Washington finding a way to win back the trust of those who feel alienated from the current political system.

Policymakers, journalists, businesspeople, and non-profit actors with no memories of the Cold War are beginning to assume important positions on both sides of the Atlantic. This post-1989 generation does not approach the relationship with an emotional affinity, but rather looks to its own experience and the facts it is confronting. The expectations their parents had of the United States and the role it played in Germany are not matched by the reality of this generation's experience. This is why the future narrative for transatlantic relations should avoid nostalgia and instead define and focus on the new substance of German-American cooperation. For Germans, the European Union has been the formative alliance over the last decades, as membership widened and integration deepened. Nonetheless, with increasing threats to Europe's East and South, as well as lingering struggles within the euro area and with European integration more generally, there is a real need and opportunity for the United States and Germany to be leaders in partnership. In other words, the two countries need to hone their ability to work together on common goals to meet shared strategic priorities. Rather than Germans feeling forced, to put it bluntly, to have the United States as their indispensable partner, the reality is that the two leaders are choosing each other.

Rather than Germans feeling forced, to put it bluntly, to have the United States as their indispensable partner, the reality is that the two leaders are choosing each other.

¹³ "Transatlantic Trends 2008," The German Marshall Fund of the United States (2008), http://trends.gmfus.org/files/archived/doc/2008_english_top.pdf. "Transatlantic Trends 2009," The German Marshall Fund of the United States (2009), http://trends.gmfus.org/files/archived/doc/2009_English_Top.pdf. "Transatlantic Trends 2014," The German Marshall Fund of the United States (2014), http://trends.gmfus.org/files/2012/09/Trends_2014_ToplineData.pdf. Other resources include <http://trends.gmfus.org/files/2013/09/TT-TOPLINE-DATA.pdf>.

¹⁴ The United States faces a pronounced political fragmentation and a public aversion to mainstream politics, but as it is more self-directed (at "Washington") it does not affect the transatlantic relationship quite as directly.

¹⁵ PEGADA is an initialism for Patriotic Europeans Against the Americanization of the West, a smaller limb of PEGIDA, the right-wing political protest movement founded in Dresden in 2014. PEGIDA has received a lot of press coverage, but is still small, around 25,000 people participated in the largest of their weekly protests, according to the local police: https://web.archive.org/web/20150112224354/http://www.polizei.sachsen.de/de/MI_2015_33890.htm.

3 Seeking a Common Global Strategy

Ten years ago, the Iraq invasion divided Germany and the United States. The crises of today are for the most part uniting the two countries.

If the transatlantic relationship needs to reestablish its footing and find a new narrative for the post-Cold War generation, it first and foremost needs to agree on a future the partnership wants to shape.

The United States and Germany are both heavily invested in maintaining the liberal order, which is the bedrock for their prosperity and security. The challenges to this prosperity and security are well known and range from climate change, scarcity of resources, and extremism and terrorism, to aggressive revisionist powers, global power shifts, weak and failing states, and cyber criminality.

To the extent that participants in this task force can be seen as representative, there were interesting differences of shading in transatlantic foreign policy perceptions and interests. The current priority for Germans seems to be to engage the United States in helping Europe meet security challenges in the EU's neighborhood, both East and South. On the other hand, Americans would like to enlist Germany to help maintain global order. In pursuing that goal, Americans appear more eager for German leadership than Germans are.¹⁶ Germans are still coming to terms with playing a larger role on the global stage and assuming more foreign policy responsibility as leading German figures — from President Joachim Gauck to Foreign Minister Frank-Walter Steinmeier and Defense Minister Ursula von der Leyen — have been calling for. It is too early to tell how Merkel's strong leadership on the Ukraine crisis will shape these perceptions moving forward.

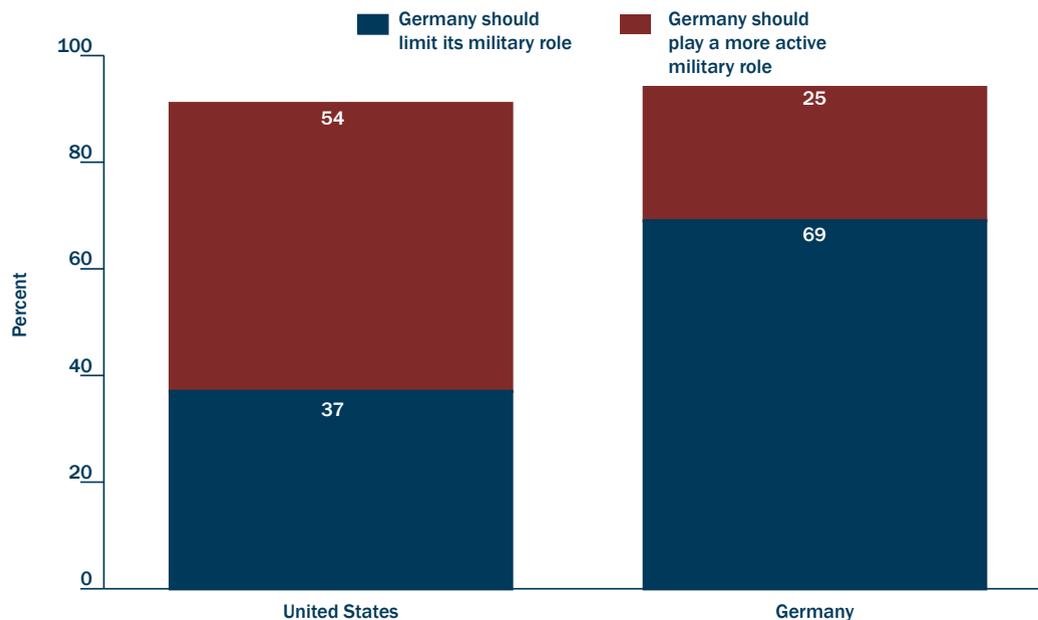
In terms of threat perception, Americans place more emphasis on hard security issues like the risk to the liberal order posed by declining and rising powers and the menace of terrorism and Islamic extremists, whereas Germans were more likely to prioritize cyber security and the scarcity of resources. Nonetheless, even if priorities seem to vary, the comprehensive list of challenges are the same: from the broad issues, such as digitization, demographic shifts, maintaining prosperity and global legal and economic order, to the specific challenges of Russia's aggression against Ukraine and instability, violence, and extremism in the Arab World. There is no doubt on either side of the Atlantic that these challenges cannot be faced alone. The case for close cooperation is irrefutable, even if agreement on the right policy response will only result from vigorous debate.

Today's Common Crises

Ten years ago, the Iraq invasion divided Germany and the United States. The crises of today are for the most part uniting the two countries. Merkel and Obama see Russia's illegal annexation of Crimea and the ongoing conflict in the east of Ukraine as a fundamental threat to the post-Cold-War European security order, and have maintained a united response despite some differences in tone. This is particularly striking given Germans' particular relationship with Russia resulting from history, geography, and deep economic ties. Both partners agree on the threat posed by the so-called Islamic State group and are engaged in the fight against

¹⁶ This is also reflected in public opinion poll data. According to a survey done in 2014, only 37% of Germans want Germany to take on more responsibility in international crisis situations. Refer to page 27 of "Germans' Views on Foreign Policy," KörberStiftung (May 2014), http://www.koerber-stiftung.de/fileadmin/user_upload/internationale_politik/sonderthemen/umfrage_aussenpolitik/Koerber-Stiftung_Umfrage_Aussenpolitik_Grafiken.pdf.

Figure 4: Americans Want to See a More Active Military Role for Germany; Germans Disagree



Source: 2015 Pew Research Center survey

it in Iraq. Germany is supplying military assistance to the Kurdish Peshmerga, a decision that surprised many given the long-standing policy of not providing weapons to a combat zone. There is broad strategic agreement on the dangers emanating from the wider Middle East and North Africa, including foreign fighters, and regular consultation between policymakers. Germany and the United States are also still engaged in Afghanistan, and both remain close allies of Israel. They are working hand in glove to conclude a P5+1 agreement to prevent Iran from developing a nuclear weapon.

Misrule and economic underdevelopment in the wider Middle East and Africa have sown sectarian violence, extremism, and mass migration, throwing the region into chaos with repercussions for both Europe and the United States. Washington and European capitals face the policy dilemmas of balancing acute security concerns with liberal principles and long-term stability. Neither in Berlin nor Washington is there consensus on a feasible fix for the region's problems, though the U.S. government and population tend to be more ready to use military tools than Germans (see Figure 4) and are also more eager to see Germans take on a more active military role. The United States continues to play a larger security role in the region and may ask its partners to help more, and differences over specific interventions and the use of force will be inevitable. Yet attitudes in Germany also appear to be changing, as exemplified by the decision to arm the Peshmerga and recent opinion polls showing a majority (55%) of

China offers a test for the future of transatlantic relations because both the United States and Germany have significant relationships with China that include close economic ties and a degree of mutual dependence.

Germans supporting an increase in defense spending.¹⁷ Tactical divergence on goals in the greater Middle East or Africa are not likely to determine the course of transatlantic relations given the overriding strategic convergence.

Russia's challenge to the European order is the most direct and immediate priority for the transatlantic partners — and it is a defining one. It will not be easy to maintain a united front both within Europe and across the Atlantic — neither on sanctions, nor on support for Ukraine, or on an overarching Russia strategy. Many of the hardest decisions have yet to be made, and there appear to be some ideological differences across the Atlantic on the value of deterrence versus deescalation (or the appropriate balance between the two). Yet Moscow's tactics have also reinvigorated NATO and introduced a new generation to the value, and power, of transatlantic security cooperation.

Transatlantic Test Case China

The future of the liberal order will be defined by whether and how it integrates rising powers, including China, India, and Brazil. With its economic might and increasingly assertive global posture, China offers the most obvious and pressing test case for German-American relations in the 21st century.¹⁸ Most of the central strategic challenges to Western prosperity and order are connected to relations with China, including Russia, climate change, supplies of and access to resources, global economic and regulatory order, regional and global security, demographic shifts toward east and south, and cyber security. Germany and the United States cannot reshape the existing economic order or combat climate change or address global security without a shared strategic vision toward China and how to accommodate its rise.¹⁹

China also offers a test for the future of transatlantic relations because both the United States and Germany have significant relationships with China that include close economic ties and a degree of mutual dependence. Germany is China's main economic partner in Europe; the United States is China's primary global rival and trading partner. A peaceful and prosperous China that is integrated into the global economy and resource market should and could be the common objective for both Berlin and Washington.

At the same time, German and U.S. views of China differ in important ways. The United States, as a Pacific power and security provider in Asia, faces the security dilemma posed by an assertive China more acutely. With its commitment to defend the territorial integrity of its allies in Asia (and unique commitment to Taiwan), the United States is on the front lines of clashes in the East and South China seas. Berlin stands squarely on the sidelines. Washington's policy on China has security, economic, and foreign policy dimensions. Europe, and Germany in particular, have thus far remained largely disengaged from issues of regional and global security and focus on economic ties and improving bilateral relations through those ties.

¹⁷ Respondents were asked if they agreed that Germany should spend more "in the medium term" on defense, as Defense Minister Ursula von der Leyen recently requested (55% were in favor, 41% opposed). Refer to page 12 of "ARD-DeutschlandTREND - October 2014," infratest dimap (2014), http://www.infratest-dimap.de/fileadmin/_migrated/content_uploads/dt1410_bericht_02.pdf (in German).

¹⁸ China is the focus in this report to reflect task force discussions.

¹⁹ Clearly, each of the challenges listed could be developed much further and separately from an analysis of China; Beijing simply offers a compelling point of entry for the much broader discussion.

Nonetheless, public perceptions of the threat posed by China are similar in the United States and Germany, according to the 2013 *Transatlantic Trends* survey: 41% of Germans and 49% of Americans view China as a military threat.²⁰

In the economic realm, both the United States and Germany see a mixed picture of challenges and opportunities. Bilateral trade and investment and the potential for growth that would accompany them are viewed across the Atlantic as a major opportunity. At the same time, both the United States and Germany realize that Chinese manufacturing, as it moves up the value chain, will be a major competitor. China's lax respect for intellectual property, its significant state support for its economy, and its advanced cyber warfare capabilities are viewed with trepidation across the Atlantic, particularly in the United States (62% of Americans, as compared to 43% of Germans, view China as an economic threat). Both Berlin and Washington have an interest in seeing China's economy integrated into the global economic order because they want China to abide by the rules of that order.

Partners, but also Rivals

Beyond differing perceptions of the economic opportunity China presents, cooperation is hamstrung by competition for Chinese markets and investments. China is the second-largest trade partner for both the United States and Germany.²¹ For instance, U.S. car manufacturer General Motors and Germany's Volkswagen are "aggressive rivals in the world's largest auto market" battling each other to be the top-selling foreign brand, investing billions to expand factories and open new dealerships.²² Furthermore, Germany's economic heft gives it stature and independence; with regard to China, Berlin is no junior partner. Instead, China and Germany have a strong bilateral relationship between two "nations with great influence," as Chinese Premier Li Keqiang put it.²³ Thus Germany and the United States can choose to work together on China, but can also choose not to. The commercial incentives are immense, the competition fierce, and the economic ideologies are not always aligned. On questions of trade imbalance, for instance, China and Germany, two export giants and trade-surplus countries, are more likely to agree with one another than with Washington. But the stakes are too high to ignore the larger picture and the long-term goals that must drive policy. Thus far, the transatlantic partners have not found a common, guiding strategy, and, as a result, transatlantic cooperation (and indeed European cooperation) on China has been insufficient and erratic.

A case in point of failed cooperation was provided by the public transatlantic split over the Asian Infrastructure Investment Bank (AIIB) — when Germany and other EU allies

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²⁰ "Transatlantic Trends 2013," The German Marshall Fund of the United States (2013), <http://trends.gmfus.org/files/2013/09/TT-TOPLINE-DATA.pdf>.

²¹ "Top Trading Partners - December 2013," United States Census Bureau, <https://www.census.gov/foreign-trade/statistics/highlights/top/top1312yr.html>; "Foreign Trade - Ranking of Germany's Trading Partners in Foreign Trade," Germany's Federal Statistical Office (2014), https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingPartners/Tables/OrderRankGermanyTradingPartners.pdf?__blob=publicationFile.

²² "GM to battle VW in China with \$12 billion investment and new plants," Reuters, April 20, 2014, <http://www.reuters.com/article/2014/04/20/us-autoshow-china-gm-idUSBREA3J08N20140420>.

²³ Mu Xuequan, "China, Germany vow to lift partnership to higher levels," October 10, 2014, http://news.xinhuanet.com/english/china/2014-10/10/c_127083198.htm.

joined despite the Obama administration's opposition to their membership. Both sides lost from the incident, and must want to avoid such a public falling out in future; it cannot be in Washington's or Europe's interest to be divided on issues of international economic infrastructure and governance. From climate change to cybersecurity, Germany and the United States will best further their common goals if they are able to coordinate and identify a shared, comprehensive policy vis-à-vis China, rather than having each agency or department define its piece of the relationship.

4 Recommendations

The parameters of the German-American relationship have changed significantly in the past two decades. These changes have caused strain in the relationship as leaders and their societies try to adapt. The evolution of German and U.S. positions in the face of new challenges mean that close ties and deep dialogue between the two countries are as significant as ever, in particular as the relationship cannot be taken for granted or preserved in stone. Just as global order needs active guardianship, we need to invest in transatlantic relations, identify topics of mutual interest and find new structures for exchange and coordination.

To address these significant challenges to German-American relations, policymakers and opinion-shapers on both sides of the Atlantic need to communicate more and more responsibly — with each other and publicly to address concerns more clearly and effectively and find ways to reconnect the public to an outward-oriented transatlantic relationship.

Digital debates. The digital revolution is having an unsettling effect on public life and policymaking on both sides of the Atlantic, with no signs of slowing. This digitization raises distinct issues that can often be conflated, yet need to be part of an honest transatlantic dialogue. First is the question of digital surveillance, privacy, and security. What privacy trade-offs is the public ready to make for its security? What kinds of surveillance make sense, and what lines need to be drawn? While the issue of surveillance has received a lot of focus since the Snowden revelations, the debate has tended to focus on political scandals and finger pointing. We need more discussion of when and how surveillance and transatlantic intelligence cooperation are appropriate and necessary, and how to achieve proper oversight. There is a case to be made for cybersecurity cooperation, as evidenced by the recent attack on the German Bundestag, and both Germany and the United States can play a positive role in developing norms on cybersecurity issues. There is also a case to be made for transatlantic intelligence and surveillance cooperation, while respecting civil liberties; it is a case that should be brought to and discussed with the public in transatlantic formats in broad terms, while respecting the need for sources and methods to remain secret. With global data flows and routing, most German and U.S. citizens are “foreigners” most of the time while their data travels through other jurisdictions. Therefore, both countries should consider what kind of safeguards they are willing to extend to the data of non-citizens.

Second is a set of issues related to digital markets and economic prospects in a digital world dominated by large U.S. companies. An increasing number of German policymakers see the backbone of German (and European) prosperity under threat from Silicon Valley. Without ignoring the very real competitive aspects involved, we must also encourage more, and more honest, transatlantic dialogue on our digital future and the privacy issues of data held by companies. More collaboration on the Internet of Things — or as the Germans say, *Industrie 4.0* — can yield positive benefits for both countries, since the supply chains are so closely interlinked. Also, joint work on encryption technology can protect transatlantic partners from external cyber threats. Finally, venture capital is an international business, and, if Germany creates the right backdrop for entrepreneurship, such as tax incentives and visas for skilled

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Chattanooga: A New Example of Transatlantic Relations

by Wadrick Hinton

If the average person were asked to provide positive examples of transatlantic relations, it is doubtful that Chattanooga, Tennessee, would make the list. A mid-sized city located an hour north of Atlanta, it was once the home of a bustling manufacturing economy. Just a few decades ago, this traditional manufacturing caused so much pollution that Chattanooga was dubbed the “dirtiest city in America” by CBS news anchor Walter Cronkite. This dubious distinction and exodus of manufacturing jobs in the years following left a community in need of rebuilding.

And rebuilt itself it has, with a vibrant riverfront, the fastest Internet service in the Western hemisphere, and a budding entrepreneurial community. While these are great achievements, U.S. Senator Bob Corker, the former mayor of Chattanooga and now chair of the Senate Foreign Relations Committee, suggested the crown jewel of the Chattanooga Renaissance was the community’s successful recruitment of Volkswagen to locate its U.S. manufacturing headquarters in the “Scenic City.”

Soon after Volkswagen announced its decision to invest \$1 billion and create 2,000 jobs, Wacker Chemie AG announced it would build a facility north of Chattanooga. In all, since 2008, German-based companies have invested or committed to invest close to \$4 billion in the Chattanooga region and committed to create almost 6,000 direct jobs. This does not include the investments or jobs created from their supply chains.

I can personally attest to the positive impact of the jobs and investments German companies have made on the region, not least because I was one of the locals fortunate enough to land one of those jobs and served as deputy general counsel for VW Chattanooga. Nonetheless, I am convinced the most significant impact these companies have had on the region is not reflected by economic data alone, but in the shift in the community’s self-perception and perspective.

The community has a better appreciation of the fact that it now competes with automotive hot spots like Puebla, Mexico. This has increased local awareness about the importance of a more competitive workforce, and companies like Volkswagen and Wacker are working together with the community to shape plans for education and workforce development in the region. To date, this dialogue has resulted in Volkswagen and Wacker each creating brick and mortar academies in partnership with Chattanooga State Community College. These cooperative efforts have also led to the introduction of an apprenticeship program that is now recognized by German trade associations, and the International Baccalaureate programs being introduced in the local school system. The dialogue between local government and German companies is ongoing, with both sides engaged in developing further projects together. More children and adults in the area are taking German language classes, a good indication that the locals have taken note of the transatlantic partnership and the opportunities it offers.

So what is a positive example of transatlantic relations? I am sure trade and strategic military alliances probably still top the lists of many; however, if you ask people in the communities in and around Chattanooga, they will likely point to their own shining local examples.

workers, there will be more Silicon Valley stories coming out of tech centers like Berlin and Munich.

Economic stories, not numbers. Public skepticism of TTIP, especially pronounced in Europe, grew in part because politicians and business organizations have been slow to offer an honest analysis of the costs and benefits of any agreement and to engage in debates of particular concern to unexpectedly mobilized publics. Issues like standard-setting that may at first sight seem technical in fact require a transparent, honest, and fact-based debate that all concerned stakeholders and citizens can participate in. This is true of the transatlantic economic partnership more generally: the annual FDI or trade figures that industry likes to point to mean little to the public. They want to discuss regulations and safeguards and hear about the jobs the economic partnership will bring to their community. In both the political and economic spheres, transatlantic relations are suffering because the public (and groups that mobilize them) are placing higher demands on policymakers for transparency, and want honest and open discussion, which should include the strategic aspect of the relationship in a changing world. The need and benefits of transatlantic cooperation have to be shown and explained to the public if transatlantic relations are to rebuild a strong standing with the public moving ahead.

When most of the issues jointly facing Germany and the United States are global in nature, transatlantic debates should also be globally oriented, not just inward-looking.

21st century exchanges. We should create digital platforms where young people on both sides of the Atlantic, and beyond, can exchange their ideas on issues that matter to them. While physical exchange programs will continue to be important (and have played a role in building transatlantic ties and understanding), they can be supplemented. It is now easier than ever for young Germans and Americans to “meet” online to discuss issues and work together on projects they care about, for instance sustainability, education, innovation, music, and social justice. These platforms should be interactive and feature user-provided content to foster active participation, debate, and even collaboration to build transatlantic trust and understanding.

Globalizing transatlantic networks. In terms of both themes and composition, transatlantic networks should increasingly be globalized. Most of the issues Germany and the United States face today are global in nature. Thus transatlantic debates should also be globally oriented. In a century where Europe and the United States increasingly need to contend with other powers in Asia, Africa, and Latin America to tackle critical issues and achieve global order, the Atlantic alliance benefits from building networks that include powers from outside the transatlantic community.

There are a number of initiatives that demonstrate different ways to do so. GMF has organized “trilateral fora” with China, India, and Japan convening government officials, intellectuals, media commentators, and business representatives from those countries, the United States, and Europe. In 2003, the Friedrich Ebert Foundation initiated the “Global Atlanticists” network, a multipartisan transatlantic network of German and U.S. lawmakers and key policy advisors to promote a mutual understanding of key interests, and to further the U.S.-EU strategy debate on crucial issues like migration, nuclear proliferation, and Middle East policy. The Global Governance Futures program initiated by the Global Public Policy Institute with

General Electric: European Research and Development

General Electric (GE), the more than 120-year-old U.S.-based infrastructure company of global renown, maintains significant operations in Europe. It spends a substantial share of its \$3.5 billion annual global research budget and employs more than 90,000 in Europe. As part of its ambitious plans for the continent, the company opened a European Global Research Centre near Munich in 2004, employing 250.

European grants for innovation projects are an important tool to drive innovation in Europe. During the period 2007 to 2013, the European Commission, through its Directorate Generals, disbursed over €42 billion to more than 25,000 projects run by companies and academia.¹

But by 2011 — four years into the Seventh Framework Programme, the EU's prime tool for fuelling innovation across the continent — GE had only secured EU grants for less than 20 projects. At the same time, some of its peers had received almost four times that amount. GE felt that it needed to improve its performance both for financial and strategic reasons: being involved in European collaborative grant projects not only provides additional cash flow, but also helps build relations with government entities, research partners, and (potential) clients.

To turn around this performance, in 2012 GE asked Deloitte Germany to assess the situation. Deloitte analyzed upcoming opportunities, benchmarked top performers with respect to strategic and organizational parameters, and developed a strategy to improve grant acquisition in the near future. With Deloitte's help, by the end of the funding program in 2013, GE increased its number of grant projects funded by the EU to almost 50, paving the way for new innovations and closer ties in Europe.

¹ European Commission. 2015. Seventh Monitoring Report of the Seventh Framework Programme.

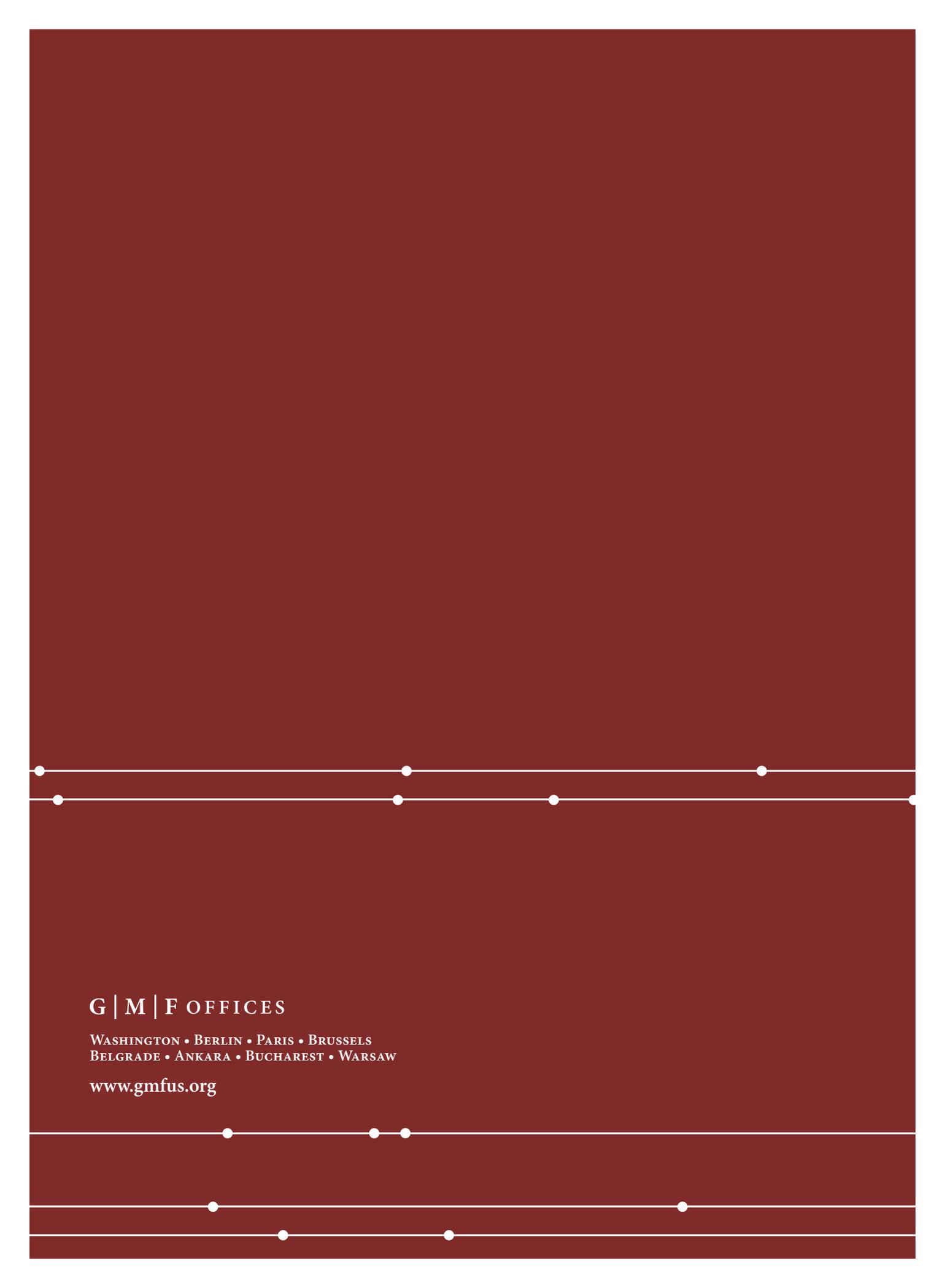
leading partners in all participating countries and funded by the Robert Bosch Stiftung brings together a multisectoral group of young leaders from Germany, the United States, China, Japan, and India to look ahead 10 years and recommend ways to take on global challenges like climate change, cybersecurity, or development. All these programs offer Germans and Americans the opportunity to engage jointly with representatives from other powers that are crucial to global (dis)order in the 21st century. Engaging with representatives from third countries allows Americans and Germans to more clearly see what unites them when looking at tackling global challenges. More of these platforms should be created.

Cooperation by default. In the end, despite recent dips in opinion poll data, Germans, Europeans, and Americans trust each other more than most others. And they need each other. In this world of challenges that are all too daunting to address alone, Berlin, Europe, and Washington should seek to work together, not as a second thought, but as a starting point. Despite the truism that neither the United States nor Germany can tackle the many critical challenges both face alone, policy is largely made exactly so. Too often tactics are decided on and then communicated with allies, even in those cases where a strategy is shared. Practitioners need to have deeper and more regular exchange with each other on policies and be bolder in their efforts to address global challenges together. There are bilateral meetings as well as quad and quint (United States, U.K, Germany, France, and Italy) cooperation formats

at national security advisor and policy planning staff levels, as well as a number of other formats for German and U.S. lawmakers. The official structures are there and the relationships are strong. Yet the instinct to cooperate first, perhaps particularly in Washington, can still be strengthened.

German-American roundtables. At the official level and beyond, Germany and the United States must engage more in each other's domestic debates. They need to continue to invest in and build on existing platforms through which they can gain a richer understanding of each other's strategies and values and invite a variety of different stakeholders to have thoughtful discussions about privacy versus security, the digital economy, engaging versus confronting Russia or China, economic models, and the other pressing issues on the agenda. It may be valuable to hold roundtables across Germany to examine the rationale and the direction of a globally oriented transatlantic relationship going forward.

U.S. culture has so deeply penetrated German society that virtually every German has an image of the United States, but it may not reflect a particularly differentiated view. Americans, too, lack a differentiated view of Germany. A richer understanding of each other and how we look at the world will help build a shared strategic outlook, which, in turn, will lead to more effective policies. Nostalgia will not help young Germans and Americans understand each other. And complacency will not generate the robust transatlantic relationship the world needs. Today's transatlantic relationship needs to be nourished by regular and vigorous policy debates at all levels, including among our publics. Strong cooperation that leads to effective action in pursuit of common goals is not organic — it has to be built.

The image features a dark red background with several horizontal white lines and dots. The dots are arranged in a pattern that suggests a grid or a series of data points, with some lines being slightly wavy. The text is positioned in the lower-left quadrant of the page.

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