



SUSPICIOUS MINDS

U.S.–GERMAN RELATIONS IN THE TRUMP ERA

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The Transatlantic Academy is a research institution devoted to creating common approaches to the long-term challenges facing Europe and North America. The Academy does this by each year bringing together scholars, policy experts, and authors from both sides of the Atlantic and from different disciplinary perspectives to research and analyze a distinct policy theme of transatlantic interest. The Academy was created in 2007 as a partnership between The German Marshall Fund of the United States (GMF) and the ZEIT-Stiftung Ebelin und Gerd Bucerius. The Robert Bosch Stiftung and the Lynde and Harry Bradley Foundation joined as full partners beginning in 2008, and the Fritz Thyssen Stiftung joined as a full partner in 2011.

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Suspicious Minds: U.S.–German Relations in the Trump Era

TRANSATLANTIC ACADEMY COLLABORATIVE REPORT

MAY 2017

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FROM THE EXECUTIVE DIRECTOR

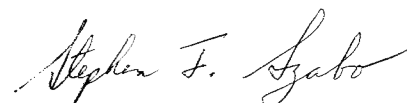
The German–American relationship is the pivot of the West. Germany has clearly emerged as the most significant country within the European Union and the United States under the Obama administration turned to Berlin to lead on the Ukraine and refugee crises, although it had disagreements with Germany in the realm of economic policies. The election of Donald J. Trump as U.S. president has opened up fundamental questions about the nature of this key partnership, and more broadly the future of the West. The wide range of issues related to the German–American relationship was the topic of the 2016–2017 fellowship year at the Transatlantic Academy, and this report is the result of the work of the Academy fellows over the past eight months. This study follows upon previous fellowship years which were devoted to examining challenges to the liberal order both at home in North America and Europe and in the emerging, less-Western world, and the relationship between Russia and the West in the wake of the Ukraine crisis.

Given that the Academy has been a German–American partnership, it made sense to have the fellows take a closer look at the broader challenges in German–American relations at the beginning of a new U.S. administration. It also allowed the Academy to examine the changing nature of German leadership and its role in a Europe in unusual flux.

The Transatlantic Academy fellows came together in September 2016 and were in residence at the Academy in Washington, DC through May 2017. They were joined by a number of shorter-term Bosch Stiftung Fellows who brought perspectives from think tanks, journalism, and government — Christopher Chivvis, Michael Kimmage, Hans Kundnani,

Gideon Rachman, Eberhard Sandschneider, Anna Sauerbrey, and Guido Steinberg — as well as visiting fellows Guido Goldman and Karl Kaiser. They engaged in a number of workshops and a joint study trip to Europe and held weekly *jour fixes* to develop both their individual papers and this concluding collaborative study, which offers some policy ideas for the new U.S. administration and for the German government. Their year in residence began shortly after the British vote to leave the EU and events accelerated with the U.S. and French elections. The largely unexpected election of Trump greatly complicated the writing of a report on long-term trends in the relationship, given the rupture it portended. Despite the flux and uncertainty, we have brought together our collective expertise to offer our assessment of the state of this central relationship and offer some policy ideas for renewing it.

I would like to thank Ted Reinert for his work on the Academy's publications, Jacqueline Morgan for all of her excellent support of the Academy's work, and Maggie Donahue, Grace Douglas, Christoph Erber, and Brittany Walters for their research and general assistance. All of us at the Academy wish to thank our partners, who are listed on this report, for their support of our work, without which this transatlantic dialogue would not be possible. We would also like to thank those who contributed to our deliberations in a variety of workshops and conversations over the past eight months.



Stephen F. Szabo

Executive Director, Transatlantic Academy

EXECUTIVE SUMMARY

The election of Donald J. Trump as U.S. president, among its many other consequences, created a great deal of uncertainty in German–American relations. On November 9, the German leadership wondered whether the president-elect’s campaign rhetoric would turn into policymaking reality. Meanwhile, Trump’s initial team of advisors had little experience with formulating policy toward Europe. An excruciating and awkward period in transatlantic relations followed, in which the Trump team eyed German and European leaders with suspicion, and the Europeans did the same to their American counterparts.

Gradually, Trump has taken on board a number of national security professionals well-known to the international community and possessed of ample knowledge of the transatlantic relationship (along with more radical advisors). This development took the edges off some disagreements — even the much-discussed trade issues appeared to be headed toward the World Trade Organization as the primary adjudication venue — but raised a new suspicion as to whether Trump would actually follow the guidance of his team of expert advisors, or continue the erratic behavior seen in the campaign.

Trump’s presidency raises a paradox for German and European policymakers: Trump obviously manifests a radical break; yet a “wait-and-see” holding pattern is tempting until it is clear that he will follow through on his most controversial ideas as actual policies. Barring that follow-through, causing any big confrontation has the potential for unnecessary damage to the transatlantic relationship. Unpredictability and suspicion in any relationship create a spiral in which the reactions of the other side increase

the level of distrust. When A is unpredictable, B will spend more time worrying about the appropriate response, and A will think that B is erratic and undependable and will become more erratic. This is why the clear articulation of policy direction is fundamental for stable political relations.

As a result, foreign policy professionals on both sides of the Atlantic find themselves publicly playing down concerns about the other side, while pledging some measure of mutual confidence in the primary institutions shaping the transatlantic relationship. But while the Trump administration has, after taking office, discovered some of the benefits of close cooperation with European partners, this new period still remains one of substantial uncertainty for both sides. This uncertainty is particularly worrisome for Germany, given its status as a medium-sized, security-exposed, trade-dependent, status-quo power in a world that — whatever degree of stabilization the past few months have brought — remains dynamic and uncertain.

Moving ahead, Germany must not only seek to work with Trump’s America to the extent that it can, but it must also buy insurance against the day that perceived German and U.S. interests and policies diverge more than they now do. The Trump administration also has vulnerabilities, including the fact that Trump ran partly against the establishment Republican Party and yet now governs on behalf of many of that establishment’s principles and with much of its personnel. The more unilateralist America often promised in the campaign could certainly re-emerge. Thus, both sides have ample reasons to be suspicious of the tenuous status quo.

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Officials at all levels of the U.S. government — including in Congress, the Executive Branch, and state and local government — as well as the private sector should do the best they can to promote and preserve the benefits of the transatlantic relationship.

Against this backdrop, the Transatlantic Academy has undertaken an analysis of German–American relations. This report argues that the relationship, while rarely closer at the government level than in recent years under German Chancellor Angela Merkel and U.S. President Barack Obama, is challenged by underlying divisions on economic policies, on security policies, and on the future of the European Union. Absent Russian aggression in the Ukraine crisis, these persistent German–American differences would have been more visible, and U.S. expectations of Germany might have seemed unrealistic. Trump, who has questioned fundamental principles of U.S. foreign policy that have been shared by both parties and go back decades, may dramatically worsen German–American relations. Trump challenges four key assumptions on which German foreign policy has been based since the creation of the Federal Republic in 1949: the assumption that the United States’ posture toward Western Europe is predictable; the assumption that the United States sees Western Europe’s security as vital to its own strategic interests and would therefore come to Germany’s defense if needed; the assumption that the United States will defend and extend the liberal international trade and financial order; and the assumption that the German–American alliance is underwritten by such key political values as democracy, the rule of law, and human rights.

We offer recommendations for U.S., German, and European policymakers going forward. We advise the Trump administration to maintain close cooperation with Germany and America’s other European partners, including the European Union — on counterterrorism, Russia, China, trade, and other areas. Officials

at all levels of the U.S. government — including in Congress, the Executive Branch, and state and local government — as well as the private sector should do the best they can to promote and preserve the benefits of the transatlantic relationship. The German government should increase its defense capabilities and meet its NATO commitment to spend 2 percent of GDP on defense sooner rather than later. This is in the German national interest and not a sop to U.S. pressures. We offer several ideas for spending more on security in creative ways. Germany should also work to strengthen Europe, which will require more flexible and balanced economic policies, close cooperation with France, and continued cooperation with the United Kingdom. Lastly, Germany and Europe should focus on the long game — administrations and governments come and go, but national interests are long term, and transatlantic cooperation will continue to support interests and shared values with the United States.

1 INTRODUCTION

In the last few years, the relationship between Germany and the United States appeared to be the backbone of the transatlantic relationship. The two countries seemed to have become the “partners in leadership” that President George H.W. Bush envisioned in his Mainz speech in May 1989.¹ President Barack Obama and Chancellor Angela Merkel developed a particularly close personal relationship, especially after Russia annexed Crimea and destabilized eastern Ukraine in 2014. Merkel appeared as the decisive figure in shaping the West’s response to the Ukraine crisis, the European Union’s “leader” in imposing economic sanctions on Russia.² “Who do I call when I want to speak to Europe?” Henry Kissinger had famously asked. Now this question had an easy answer: call the chancellery in Berlin! Germany was emerging as the de facto leader of the European Union.

Elected to the presidency in November 2016, Donald J. Trump has questioned fundamental principles of U.S. foreign policy shared by Republicans and Democrats alike for decades. A deteriorating transatlantic relationship is likely to burden U.S.–German relations in the future. Many Europeans hope that President Trump’s campaign rhetoric, particularly about NATO, will turn out to be just that. They hope now that he is in office, he will realize that he needs European allies and Germany in particular, and they note that he has partially walked back the claim that NATO is “obsolete.” Others hope that, whatever his instincts, he will

be moderated by the more Atlanticist figures in the Trump administration, particularly Defense Secretary James Mattis and National Security Advisor H. R. McMaster. Others emphasize structural factors — such as Germany’s centrality to Europe, the size of bilateral trade and investment, people-to-people links, and the legacy of seven decades of partnership — as ballast for the U.S.–German relationship. In this report, however, we argue that although there have been divisions and conflicts over the past seven decades, this present moment is much more dangerous. The U.S.–German relationship may be headed toward a breaking point.

Part of the reason why complacency would be mistaken, this report argues, is that the emerging fault lines of the German–American rift go back to the Obama administration and beyond. Beneath the surface of Obama and Merkel’s close personal relationship, there were underlying tensions, particularly on economic and security issues. In some ways, President Trump’s criticisms of Germany are a more exaggerated version of views widely held in the United States. Though he did not mention Germany by name, Obama criticized “free riding” allies.³ The Obama administration also criticized Germany for its trade surplus and even put Germany on a currency manipulation “monitoring list.” By the end of the administration, the profound economic and political fault lines crisscrossing the EU and the growing resistance to Germany’s dominance were fueling growing doubts in Washington about the sustainability of a German-led Europe.

In some ways, President Trump’s criticisms of Germany are a more exaggerated version of views widely held in the United States. Though he did not mention Germany by name, Obama criticized “free riding” allies.

¹ G. H. W. Bush, “A Europe Whole and Free,” May 31, 1989, <https://usa.usembassy.de/etexts/ga6-890531.htm>.

² See the 2015–16 Transatlantic Academy report, “Russia: A Test for Transatlantic Unity,” N. Babayan, M. Mendras, C. Miller, A. Moravcsik, U. Speck, and A. Stent, “Russia: A Test for Transatlantic Unity,” May 2016, <http://www.gmfus.org/publications/russia-test-transatlantic-unity>.

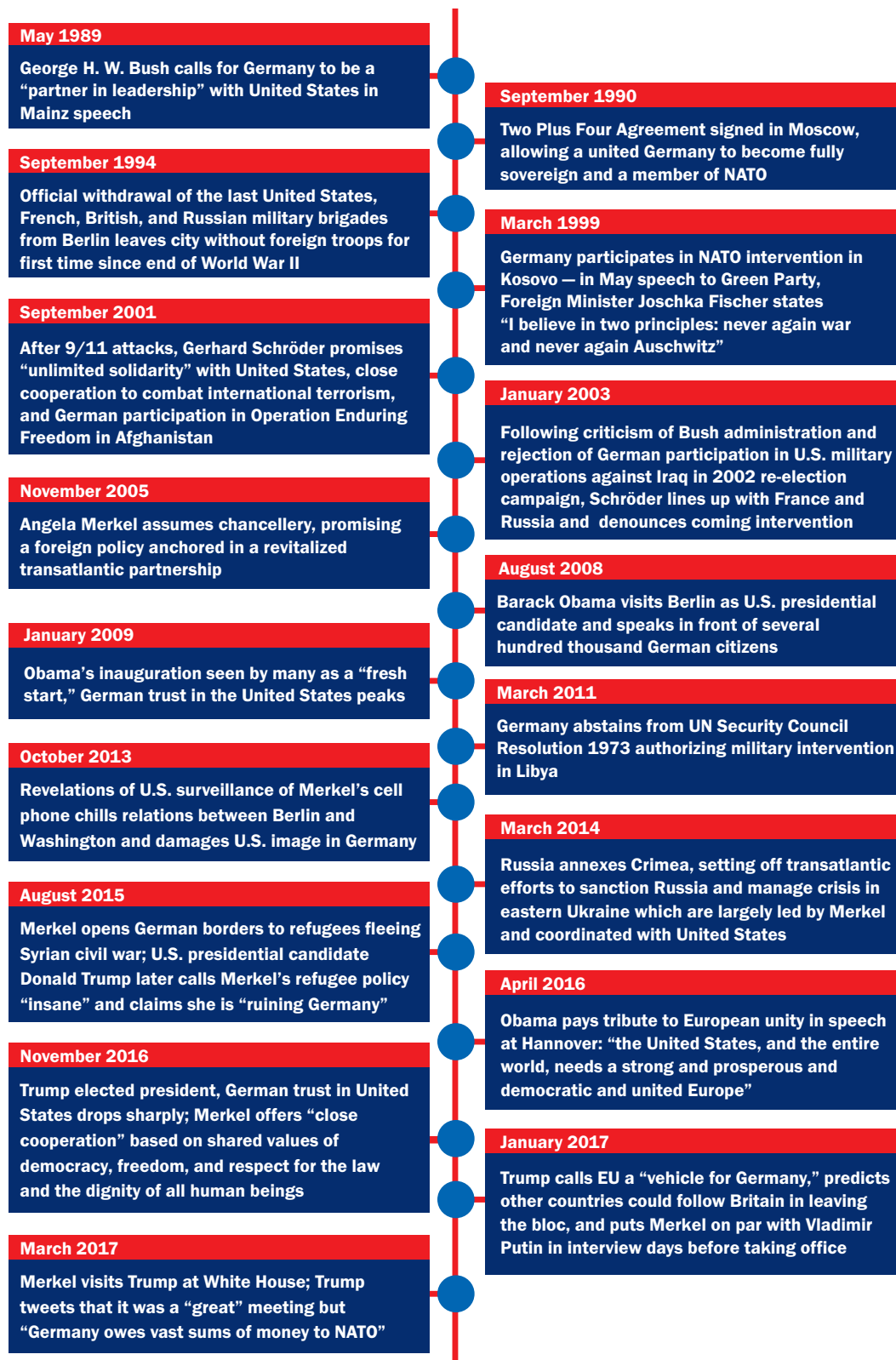
³ See J. Goldberg, “The Obama Doctrine,” *The Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525>.

Our analysis is divided into two parts. In the first, we argue that in recent years a number of tensions were set aside to preserve the tight relationship in crucial areas — above all on Russia and counterterrorism. Regardless of who succeeded Obama as president, tensions on other issues were bound to re-emerge. Moreover, the Obama administration's focus on Germany was based on unrealistic expectations including the idea that Germany could “deliver” Europe. We also examine some of the structural forces that are pulling Germany and the United States apart. In the second part, we focus on the ways in which Trump will impose new dynamics on the relationship, particularly in relation to Russia and trade. Unpredictability and suspicion in any relationship create a spiral in which the reactions of the other side increase the level of distrust. When A is unpredictable, B will spend more time worrying about the appropriate response, and A will think that B is erratic and undependable, and will become more erratic. This is why the clear articulation of policy direction is fundamental for stable political relations.

Despite these structural and personal factors, we believe it is in the vital national interests of both countries to renew and refurbish this relationship for the long term. President Obama's farewell speech to Europe delivered in Hannover in April 2016 made the case for the importance of both Europe and Germany to U.S. foreign policy.⁴ We will conclude this report with some policy ideas for how this renewal can be achieved despite the unpromising start of the Trump administration.

⁴ B. Obama, “Remarks by President Obama in Address to the People of Europe,” The White House, April 21, 2016, <https://obamawhitehouse.archives.gov/the-press-office/2016/04/25/remarks-president-obama-address-people-europe>.

Timeline of German-American Relations



2 THE AMBIVALENCE OF THE OBAMA LEGACY

The social basis for the relationship has changed as new generations of Germans and Americans socialized in the post-Cold War era have come of age. The Obama administration's "pivot" to Asia was the source of many worries in Europe and reflected in part a generational shift within the United States toward Asia.

The German–American bilateral relationship is anchored in shared commitments to democracy, to the rule of law at home, and to a liberal and open international order. And yet all bilateral relationships evolve over time. Though the Trump administration will bring major changes to the German–American relationship, not all of these changes follow from Trump's election. The particularly close and strong German–American relationship of recent years was somewhat anomalous. Unexpected crises transformed what had been a healthy relationship with ups and downs, into one of close cooperation for most of Barack Obama's second term.

This recent closeness was, in part, personality-dependent. Despite a rocky start, Obama and Merkel had clearly forged an unusually high level of mutual trust.⁵ The closeness was also context-dependent: the two executives pursued complementary policies on global order, including climate and human rights issues and, most consequentially, on responding to Russian aggression in the Ukraine crisis. Absent the latter issue, persistent German–American differences would have been more visible. Without a common antagonist to smooth the relationship, U.S. expectations of Germany might have seemed unrealistic in the later years of the Obama presidency.

The differences were often acute and substantial. Edward Snowden's revelations of National Security Agency (NSA) spying, including on

Merkel herself, caused a major crisis in the relationship in summer 2013. The prospects of the Transatlantic Trade and Investment Partnership (TTIP) are dim today, in large part due to German opposition. "Within German society and media, there are clear signs of discontent with the United States," a German Marshall Fund of the United States (GMF) report noted two years ago. "The official ties and trust in each other are not mirrored in the German public's attitudes toward the United States."⁶ The social basis for the relationship has changed as new generations of Germans and Americans socialized in the post-Cold War era have come of age. The Obama administration's "pivot" to Asia was the source of many worries in Europe and reflected in part a generational shift within the United States toward Asia. Some German commentators may question the extent of the "shared values" between the two countries. While Germany opened its borders to hundreds of thousands of refugees, the United States took in very few.

Fully acknowledging the depth and complexity of the U.S.–German relationship, we focus our analysis on important differences on security and economic policy and on Germany's role in Europe.

Cooperation and Tension on Defense and Security Policy

Since the end of the Cold War, Washington has continually pushed Germany to make a greater contribution to global security by increasing defense spending and engaging in

⁵ Obama is planning to visit Germany in late May 2017 to join Merkel for a panel discussion about democracy as part of the 500-year anniversary celebration of the Protestant Reformation. K. Sutton, "Obama heading to Germany in May to talk democracy with Merkel," *Politico*, April 11, 2017, <http://www.politico.com/story/2017/04/obama-germany-visit-angela-merkel-237100>.

⁶ The German Marshall Fund of the United States, "Long-standing Partners in Changing Times: Report of the Task Force on the Future of German–American Relations," May 2015, <http://www.gmfus.org/publications/longstanding-partners-changing-times>.

military operations. In the 1990s, Germany seemed to become more “normal” in its attitude toward military force, culminating in its active participation in U.S.-led operations in Kosovo (1999) and in Afghanistan (2001). But in the 2000s, this changed. First came the prominent divide over Iraq in 2002–2003.⁷ In the early 2010s, Washington was disappointed by Berlin’s cuts to defense spending and its abstention in the 2011 vote in the United Nations Security Council on military intervention in Libya. This reticence seemed to reflect a return to the Bonn Republic’s old “culture of restraint” in defense and security matters (which to a degree also aligned with Obama’s own instincts and distrust of the hawkishness of the U.S. foreign policy establishment).⁸ It also seemed to reflect Germany’s growing dissociation from its major Western allies and a tendency to free ride if not an inclination toward a new form of neutrality.

Then came the Ukraine crisis, which prodded German elites to take “responsibility” commensurate with their country’s economic weight. The United States and other key allies welcomed public proclamations of Germany’s willingness to step up its security and defense role by former President Joachim Gauck and Defense Minister Ursula von der Leyen at

the Munich Security Conference in February 2014. Berlin announced an increase in defense spending, which in 2014 had fallen below 1.2 percent of GDP. It also enhanced its military involvement in various hot spots. Berlin provided military support to the Peshmerga of northern Iraq in the fight against the self-proclaimed Islamic State (IS), and, in the wake of the Paris attacks of 2015, it substantially increased its involvement in the stabilization of northern Mali and in the U.S.-led anti-IS coalition in Iraq and Syria. During its last two years, the Obama administration welcomed Germany’s changing approach to defense and security. The publication of a German security policy White Paper in summer 2016, the first in ten years, confirmed that Germany was “becoming the kind of partner we always wanted,” as one former Pentagon official put it.⁹

The Ukraine crisis was a turning point in German foreign and security policy. Russian President Vladimir Putin reacted harshly to the internal chaos in Ukrainian politics in 2014. Although he attempted to obscure the Russian military presence in Crimea and elsewhere by deploying troops without insignia on their uniforms, Putin changed post-Cold War borders by force. His actions resulted in Russia claiming Crimea as part of its territory and led to the outbreak of ongoing fighting in eastern Ukraine. The violation of a fundamental post-Cold War norm in Europe profoundly shocked Europeans, as did the subsequent violence, including the shoot-down of a commercial airliner flying from the Netherlands to Malaysia. Merkel and French President François Hollande took the lead in trying to decrease the level of violence and to bring the key leaders to the table

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⁷ See S. F. Szabo, *Parting Ways: The Crisis in German American Relations* (Washington: Brookings Institution Press, 2004), also F. Bozo, *A History of the Iraq Crisis: France, the United States, and Iraq, 1991–2003* (Washington / New York: Woodrow Wilson Center Press / Columbia University Press, 2016).

⁸ See J. Goldberg, “The Obama Doctrine.” “Where am I controversial? When it comes to the use of military power,” Obama argued. “There’s a playbook in Washington that presidents are supposed to follow. It’s a playbook that comes out of the foreign-policy establishment. And the playbook prescribes responses to different events, and these responses tend to be militarized responses. Where America is directly threatened, the playbook works. But the playbook can also be a trap that can lead to bad decisions. In the midst of an international challenge like Syria, you get judged harshly if you don’t follow the playbook, even if there are good reasons why it does not apply.”

⁹ Discussion with the report authors.

Franco–German proposals in the wake of Brexit and of Trump’s election would strengthen the EU’s operational military capabilities, not least by building joint military headquarters. This signaled a possible German preference for embedding its new capabilities and assertiveness in a European rather than a U.S.-led or NATO framework.

in the so-called “Normandy Format” (Germany, France, Ukraine, and Russia). The United States welcomed European leadership in what was seen as a European crisis. Obama and Merkel agreed on many of the core issues, such as excluding Russia from the G8 and not supplying Ukraine with lethal defensive weapons. They both did their part to coordinate, impose, and sustain sanctions. Yet the Obama administration held serious concerns about the construction of a new gas pipeline between Germany and Russia, the Nord Stream 2 project, and about the role of Germany’s Russia business lobby.

The Obama administration encouraging attitude toward greater German “responsibility” underscored the strength of the bilateral relationship: it was sensible policy, but it was also oversold. In reality, Berlin still lagged far behind London and Paris in terms of both defense spending and military capabilities, not to mention the willingness to use them in combat operations. It was also clear that Germany aimed to catch up only in the medium or even long term, a path on which major hurdles remained.¹⁰ Although Germany’s massive budget surplus would accommodate nearly doubling the defense budget, delivering effective operational capabilities was a huge technical challenge. Berlin was also confronted by a public uneasy about major combat operations.

¹⁰ According to the 2016 White Paper on German Security Policy and the Future of the Bundeswehr, Germany is “determined to aim to spend two per cent of its gross domestic product on defense... over the long term and subject to available resources.” Federal Government of Germany, “White Paper 2016 On German Security Policy and the Future of the Bundeswehr,” 2016, p. 69, <http://www.gmfus.org/publications/white-paper-german-security-policy-and-future-bundeswehr>.

Finally, Germany’s increased military and security assertiveness would not inevitably be directed toward common action with the United States and NATO. The Obama administration could frame Berlin’s willingness to deploy assets and troops in Eastern Europe as part of NATO’s reassurance of its Eastern members threatened by an increasingly aggressive Russia. Yet at the same time Berlin’s stepped up military involvement in Europe’s North African and Middle Eastern periphery followed the invocation of Article 42.7 of the EU Treaty in the wake of the Paris attacks.¹¹ Franco–German proposals in the wake of Brexit and of Trump’s election would strengthen the EU’s operational military capabilities, not least by building joint military headquarters. This signaled a possible German preference for embedding its new capabilities and assertiveness in a European rather than a U.S.-led or NATO framework. Past controversies over the respective primacy of the NATO versus European security structures threatened to re-emerge.

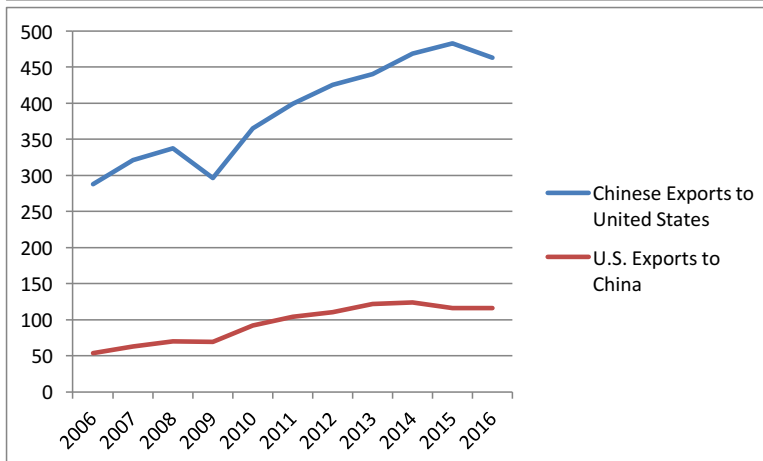
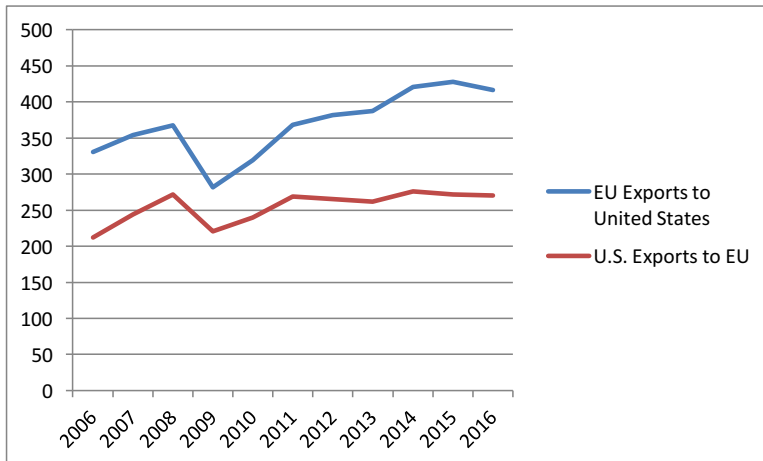
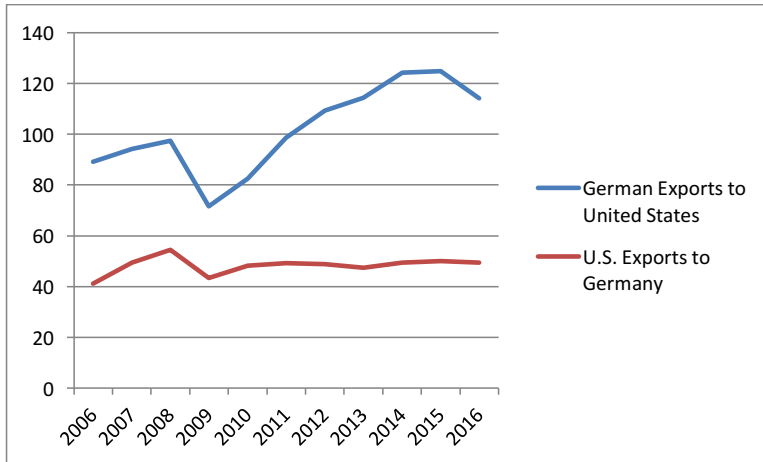
Economic Divides and Corporate and Digital Clashes

There was a similar picture in the economic relationship. The United States and Germany enjoy a broad and deep commercial relationship involving both trade and investment and cooperation in international fora like the G20 and the International Monetary Fund. Yet they have also disagreed in recent years on

¹¹ Article 42.7 is the treaty’s mutual defense clause, stating “If a Member State is the victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power, in accordance with article 51 of the United Nations charter.” See European Council on Foreign Relations, “Article 42.7: An explainer,” November 19, 2015, http://www.ecfr.eu/article/commentary_article_427_an_explainer5019.

Unbalanced Trade

Annual trade in goods, billions USD on nominal basis / Source: www.census.gov



In 2016, the U.S. Treasury put Germany on a new currency “monitoring list” along with China, Japan, South Korea, Switzerland, and Taiwan, and warned that it could face extra scrutiny and possible retaliation.

several key economic issues. In both countries, electorates have become increasingly skeptical about trade, destroying any hope that a new U.S.–European trade and investment deal could be completed during Obama’s second term. Against this background, the U.S. Treasury has long complained about Germany’s trade surpluses with the United States, which rose by roughly half over Obama’s period in office. In 2015, Germany bought roughly \$49 billion in U.S. goods while selling the United States about \$114 billion, resulting in a deficit in traded goods of about \$65 billion — nearly half of the U.S. trade deficit of \$146 billion with the EU as a whole. Only the deficit with China was higher.

As more and more EU member states began running surpluses themselves, these concerns only intensified, though Germany’s surplus has been by far the largest. The dollar’s appreciation against the euro will make this issue increasingly sensitive politically. In 2016, the U.S. Treasury put Germany on a new currency “monitoring list” along with China, Japan, South Korea, Switzerland, and Taiwan, and warned that it could face extra scrutiny and possible retaliation.¹² Although Germany’s euro membership means it has less direct control over its currency than the other countries on the

list, the Treasury said it was concerned about Germany’s high current account surplus, which in 2016 reached 8.6 percent of GDP, compared to 2.6 percent in the case of China. According to Treasury, the German surplus also helped push the surplus of the entire eurozone to well over 3 percent of GDP.¹³

The Obama White House was also critical of Germany’s leadership in the eurozone crisis, specifically its perceived overreliance on structural reforms and budgetary consolidation to address poor performance among several eurozone members. In its view, the resulting austerity prolonged Europe’s road to economic recovery, leaving Europe overly reliant on U.S. demand. The Obama team also criticized German resistance to the unconventional eurozone monetary policy known as quantitative easing. In the context of the eurozone’s problems, the United States hoped this monetary expansion might foster consumption and investment in struggling eurozone states, which in turn would spark greater demand for imports from abroad.

Meanwhile, Germany had become increasingly concerned about U.S. economic policy in several areas even before Trump’s election. First, Germany has major concerns about the overweening power of U.S. digital giants like Google, Apple, Facebook, and Amazon, a sector of the U.S. economy which was quite close to the Obama administration. Google faces myriad regulatory challenges in Europe, many spearheaded by Germany.

¹² S. Donnan, “U.S. adds China, Germany and Japan to new currency watchlist,” *Financial Times*, April 29, 2016, <https://www.ft.com/content/9d8533f4-0e3c-11e6-9cd4-2be898308be3>. Under a law targeting currency manipulators passed in 2015, the Trade Enforcement and Trade Facilitation Act, the United States has to launch “enhanced bilateral engagement” — that is, talks — with any country that runs a bilateral trade surplus with the United States of more than \$20 billion, has a current account surplus of above 3 percent of GDP, and makes persistent net foreign currency purchases equivalent to more than 2 percent of GDP. If the country in question does not take remedial action within a year, the United States can take steps including denying a country access to development loans, banning it from government procurement contracts, calling for stepped-up surveillance by the International Monetary Fund, and/or excluding it from trade negotiations.

¹³ U.S. Department of the Treasury Office of International Affairs, “Foreign Exchange Policies of Major Trading Partners of the United States,” April 29, 2016, p. 30, [https://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2016-4-29%20\(FX%20Pol%20of%20Major%20Trade%20Partner\)_final.pdf](https://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/2016-4-29%20(FX%20Pol%20of%20Major%20Trade%20Partner)_final.pdf).

The European Commission has filed multiple anti-trust lawsuits against Google on issues related to search, shopping, and the Android platform. The Commission also proposed new copyright legislation in 2016 that would, among other things, force Google to pay for displaying snippets of news from media companies. Google is fighting these lawsuits, setting the stage for potential clashes between the new U.S. administration, Germany, and the European Union. German and EU faith in law and regulation to resolve corporate disputes contrasts sharply with U.S. corporations' skepticism of EU and German motivations and procedures. Germans also have concerns about the application of fines by the U.S. legal system on German companies.

Second, German politicians have increasingly tied U.S. digital companies to critiques of capitalism. U.S. companies dominate German Internet usage. All the major social media channels except Xing (the German equivalent of LinkedIn) are American. 28 million Germans have a Facebook account; 49 percent of Germans are daily users of WhatsApp, also owned by Facebook. Google has a 95 percent market share in search. After Trump's election, the German journalist and publisher Jakob Augstein denounced digital capitalism itself as "a totalitarian phenomenon" that "fits much better with fascism than democracy."¹⁴ This strong statement echoes a longer antagonism from the Social Democratic Party (SPD) against "data capitalism" personified for them in companies like Google or Facebook. Even before the election, the right and left

both shared concerns about American media companies. Angela Merkel in October 2016 called for greater transparency in search engine algorithms, warning that they can "distort perceptions."¹⁵

Some Germans believed that the United States was engaged in economic warfare against them. Many bankers, industrialists, and politicians saw the Justice Department's proposed fine of \$14 billion against Deutsche Bank for selling mortgage-backed securities as revenge for the European Commission's ruling that Apple received illegal tax benefits from Ireland. In October 2016 Peter Ramsauer, the chairman of the Bundestag's economics committee, said that "extortionate damages claims" against Deutsche Bank had "the characteristics of an economic war."¹⁶ Beneath these suspicions lies a concern that Silicon Valley companies might leverage their expertise for self-driving cars and buy up German car companies like Volkswagen, which had been weakened as a result of fines in the diesel emissions scandal. While there is no specific evidence for these worries, the suspicion itself has corroded trust in U.S.–German economic relations.

U.S.–German disagreements also appeared in areas where transatlantic elites seemed to agree with one another. Take the Transatlantic Trade and Investment Partnership (TTIP). The TTIP negotiations began with apparent elite consensus and enjoyed strong public support from both the Obama and Merkel

German and EU faith in law and regulation to resolve corporate disputes contrasts sharply with U.S. corporations' skepticism of EU and German motivations and procedures. Germans also have concerns about the application of fines by the U.S. legal system on German companies.

¹⁴ J. Augstein, "Trump beim Namen nennen," *Der Spiegel*, November 17, 2016, <http://www.spiegel.de/politik/deutschland/donald-trump-wie-seine-wahl-die-demokratie-gefaehrdet-kolumne-a-1121716.html>.

¹⁵ K. Connolly, "Angela Merkel: internet search engines are 'distorting perception,'" *The Guardian*, October 27, 2016, <https://www.theguardian.com/world/2016/oct/27/angela-merkel-internet-search-engines-are-distorting-our-perception>.

¹⁶ G. Chazan, "Germany's deputy chancellor attacks Deutsche Bank chief," *Financial Times*, October 2, 2016, <https://www.ft.com/content/a93eeaca-8888-11e6-8cb7-e7ada1d123b1>.

Germany simply cannot lead the EU alone: the European project emerged from the notion that no single country can dominate Europe. In addition, the German government and German public opinion are probably unwilling to provide the necessary “public goods” that accompany such a role.

governments. But civil society organizations — particularly in Germany — were wary of the secrecy of the negotiations by the EU and soon mobilized tens of thousands of Germans to take to the streets to voice their disapproval of U.S. agricultural practices, regulatory standards for the digital economy, proposed investor protection measures, and the lack of transparency in Brussels. Even with sensitive issues like financial regulation removed from the mandate, the negotiations collapsed by fall 2016.

Questions of German Political Leadership of Europe and European Foreign Policy

In the final years of the Obama administration, the United States relied increasingly on Angela Merkel’s Germany. Without saying so explicitly, Obama offered Berlin a variant of the partnership in leadership sketched out by George H. W. Bush in 1989. The Obama administration’s reliance on Germany was understandable. In a crisis-ridden Europe, Merkel’s Germany was an island of stability and economic power, and Berlin seemed to have a greater capacity to lead the EU than Paris or London or even Brussels. Europe’s central power, Germany, was America’s partner of choice for a president committed to expanding the liberal international order and to executing a foreign policy based more on rule of law and consensus building than on military force. For the Obama administration, German leadership complemented such order-enhancing initiatives as TTIP in Europe and the Trans-Pacific Partnership in Asia. In Obama’s eyes, Merkel’s Germany stood at the symbolic and policy center of the international order Washington had been seeking to build since 1945.

Yet Obama’s anointment of Germany as the EU’s leading power may have been ill-advised, and it may prove short-lived. Germany simply cannot lead the EU alone: the European project emerged from the notion that no single country can dominate Europe. In addition, the German government and German public opinion are probably unwilling to provide the necessary “public goods” that accompany such a role. While Germany may have emerged as the EU’s dominant economic and monetary power in recent years and as a *primus inter pares* in EU institutions, giving it increased political clout within the bloc, it is not Europe’s uncontested leading power in diplomatic and military terms. Other countries, starting with France and the United Kingdom, remain major players.

Even if Merkel is re-elected in 2017, Germany’s political stability may be less assured in future political constellations. The political backlash of Germany’s dominance of the EU has become increasingly clear, creating resentment and fault lines within the block and diminishing Berlin’s influence and ability to lead “from the center.” Germany is more willing to exert leadership on the international scene than ever before — “leadership in partnership.”¹⁷ Nevertheless, the German “moment” will prove to be, like all moments, temporary.

Obama should have been more attentive to Germany’s simultaneous need for a partnership with the United States *and* for increasingly close cooperation with its major European partners,

¹⁷ S. Fröhlich, “Berlin’s New Pragmatism in An Era of Radical Uncertainty,” Transatlantic Academy, January 2017, <http://www.gmfus.org/publications/leadership-partnership-berlins-new-pragmatism-era-radical-uncertainty>.

particularly France.¹⁸ Today, with the traditional orthodoxy of political integration following economic integration modified by a greater emphasis on defense and border protection, German leadership more than ever needs to be exercised in tandem with that of its European partners. Germany and France were already taking the lead to develop concrete proposals for a permanent and more efficient EU military force before Trump's election, pointing at the limits of the Obama approach of relying on Germany only to lead Europe.

¹⁸ F. Bozo, "Whither Germany? Why France Matters," Transatlantic Academy, January 2017, <http://www.gmfus.org/publications/whither-germany-why-france-matters>.

3

THE UNCERTAINTY OF THE TRUMP PRESIDENCY

President Trump's breaches of democratic norms, from his inflammatory comments about ethnic and religious minorities to his verbal attacks on the press, threaten to undermine the values that have long united Germany and the United States.

Donald Trump's presidency is a potential disaster for Germany. It challenges four key assumptions on which German foreign policy has been based since the creation of the Federal Republic in 1949: the assumption that the United States' posture toward Western Europe is predictable; the assumption that the United States sees Western Europe's security as vital to its own strategic interests and would therefore come to Germany's defense if needed; the assumption that the United States will defend and extend the liberal international trade and financial order; and the assumption that the German–American alliance is underwritten by such key political values as democracy, the rule of law, and human rights.

Trump's disdain for these U.S. foreign policy traditions, and repeated laudatory remarks about Vladimir Putin, make America's future course of action in Europe difficult to gauge. Disparaging remarks about the EU are flanked by hints that his administration will privilege bilateral links with specific European states. The Trump administration has aired skepticism about the EU and its various subgroupings, whether the Schengen Area, the eurozone, or the Common Foreign and Security Policy. The president's critical comments about NATO cast doubt on U.S. willingness to defend Germany and other European partners. His breaches of democratic norms, from his inflammatory comments about ethnic and religious minorities to his verbal attacks on the press, threaten to undermine the values that have long united Germany and the United States.

America's long-term allies, including Germany, now face a grave dilemma. If they assume the best and embrace the status quo, they risk being caught unprepared. But if they assume the worst,

act suspiciously, and formulate a radically new foreign policy strategy, they could hasten the demise of an alliance that has protected them for many decades. So far, Germany is taking a pragmatic wait-and-educate approach, trying to inform and advise a president unschooled in transatlantic issues and history and hoping that the lessons take.

What Does Trump Mean for the U.S.–German Security Partnership?

There were few consistent aspects of Trump's candidacy and transition to the presidency, but two of them were his admiration for the Russian president and his concern about terrorism.

If it endures, Trump's indulgent attitude toward Putin will cause a significant shift in U.S. foreign policy. Assuming Trump's words actually describe his intended policy — and his actions in April 2017, including airstrikes against Assad regime targets in Syria following a chemical weapons attack, suggest they may no longer do so — he would be reopening a question that has not been current since before World War II: Does the defense of the territorial United States start on the near or the far side of its oceans? The president's shifting positions have created uncertainty. American ambiguity opens a strategic window for Russia.

At issue now is what will happen while this window is open. Russia may feel it has new license to take the initiative in Europe. If further incursions across borders as in Georgia and Ukraine were to pass unremarked by the United States, Germany would be forced to choose whether or not to act. If larger U.S.–Russian disagreements arise, the Trump–Putin combination could prove more combustible than

congenial, and there are a number of potential disagreements. Berlin's most important role may be to de-escalate any conflict between two hot-tempered leaders with their fingers on their respective nuclear buttons.

Longer-term tensions between Russia and the United States remain, and a period of U.S.–Russian collaboration is only one of several possible future scenarios.¹⁹ Ongoing investigations into potential connections between former Trump campaign staff and current Trump administration employees will cast shadows over bilateral relations. Recent rhetoric from both Trump and Moscow has indicated U.S.–Russian relations are at a low. The Trump administration has not canceled troop deployments to Poland, the Baltic States, and Romania as part of NATO deterrence and reassurance measures. Still, it remains to be seen to what extent this will durably reassure America's European allies that Trump has had a change of heart on guaranteeing their security.

Trump's security policy rhetoric has focused on the terrorism threat from IS, and he has justified his changing views on NATO by claiming the alliance was "no longer obsolete" because "they made a change, and now they do fight terrorism."²⁰ It nevertheless remains to be seen to what extent this fresh view of NATO matches the reality and will be accepted by Germany, which is less prepared than France, the United Kingdom, or Italy to welcome such

an evolution. Berlin has never been at ease with the notion of a "war on terror" and is unlikely to fully espouse Trump's view of NATO as the central vehicle to fight it. Although Berlin has made some progress over the past few years and says it will do more, there remain hurdles on the road to a fully-fledged German role in the "war on terror," ranging from the still limited operational capabilities of its armed forces in expeditionary operations to the public's continued reticence.

Still, counterterrorism cooperation is an integral part of the modern U.S.–German relationship. The 9/11 plotters were based in Hamburg. The security situation in Germany has deteriorated dramatically since 2014, partly due to the return of German foreign fighters from Iraq and Syria and partly to the influx of refugees, which was used by IS to funnel personnel into Germany and intensify IS recruitment activities around the country. Germany witnessed seven serious jihadist plots in 2016, including the attack on a Berlin Christmas market on December 19, which killed 12 civilians. And Berlin relies in particular on the unique reach of U.S. signals intelligence.

When Turkish President Recep Tayyip Erdoğan won a narrow and contested victory in an April referendum increasing his powers — following a campaign in which he accused Merkel of "Nazi measures" when local German authorities canceled rallies by Turkish ministers in Germany — Trump phoned to congratulate Erdoğan, and White House officials cited counterterrorism partnership with the NATO

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¹⁹ C. Miller, "U.S.–Russian Relations in the Next Presidency," The German Marshall Fund of the United States, December 7, 2016, <http://www.gmfus.org/publications/us-russian-relations-next-presidency>.

²⁰ J. Borger and A. Luhn, "Donald Trump says US relations with Russia 'may be at all-time low,'" *The Guardian*, April 13, 2017, <https://www.theguardian.com/us-news/2017/apr/12/us-russia-relations-tillerson-moscow-press-conference>.

While the Trump White House cannot accuse Germany of Chinese-style unfair practices and theft of intellectual property, it has complained about the weak euro and the large and growing U.S.–Germany trade deficit.

ally as the key reason.²¹ Despite difficult relations with Germany and the EU, Erdoğan is also the key figure blocking refugee flows toward Germany following an EU–Turkey deal “to end the irregular migration from Turkey to the EU.”²²

Given the Trump administration’s foreign and security policy priorities, the strengthening of German and European security capabilities serves a tangible and important political and defense purpose. If NATO members step up their contribution to collective defense, they will be better positioned to convince the United States to maintain its commitment to NATO. Enhanced capability will mean that Berlin and its partners could be more active in their own neighborhood, where the Trump administration — like the Obama administration — would like to see more burden-sharing, as had been the case with the Obama administration. The German government’s 2016 White Paper “On German Security Policy and the Future of the Bundeswehr” endorsed nuclear deterrence and NATO’s nuclear-sharing arrangements, reflecting growing concern about Russia’s new nuclear assertiveness.²³ In the Middle East, Europe could compensate for any diminished U.S. military presence. Indeed, Germany’s key argument for introducing joint EU structures is

that Europe must do more to stabilize the Middle East and North Africa, thereby ameliorating the refugee crisis.

The current consensus among political elites in Germany is that Europe as a whole has to wean itself off U.S. leadership, pay more for defense, and further develop its capabilities, with Berlin and Paris taking the lead. As we recommend later in this report, Germany should follow Merkel’s commitment to expand defense spending significantly and invest in strategic enablers. The question is whether this consensus will prevail after the September 2017 election.

What Does Trump Mean for the U.S.–German Economic Relationship?

Disagreements on economic policy between Germany and the United States, which date back to the Obama administration and before, have intensified since Trump became president. Trump made trade balances a campaign-trail centerpiece, picking up on and expanding concerns about trade imbalances that have long preoccupied the U.S. Congress, particularly with regard to China. But while the Trump White House cannot accuse Germany of Chinese-style unfair practices and theft of intellectual property, it has complained about the weak euro and the large and growing U.S.–Germany trade deficit. With more and more EU member states now running surpluses (partly a result of German preferences for austerity that tended to dampen their imports), pressure from Washington may grow, particularly if the euro trades at near parity to the dollar. Trade imbalances may also form another obstacle to re-starting the TTIP negotiations. Trump’s overall disapproving stance of multilateral trade

²¹ D. Jones, “Germany Turkey Tensions on Rise following Nazi Comment by Erdogan,” Voice of America, March 19, 2017, <http://www.voanews.com/a/turkey-germany-nazi-comments/3772691.html>; N. Gaouette, “Trump’s Erdogan call reflects terrorism focus, White House says,” CNN, April 18, 2017, <http://www.cnn.com/2017/04/18/politics/trump-erdogan-call>.

²² European Commission, “EU–Turkey Statement: Questions and Answers,” March 19, 2016, http://europa.eu/rapid/press-release_MEMO-16-963_en.htm.

²³ “White Paper 2016 On German Security Policy and the Future of the Bundeswehr.”

deals is a problem for any country that, like Germany, relies on exports. If the U.S. attempts to restrict trade, others are likely to follow, and Germany would be obliged to depend more for growth on domestic consumption and investment. Overall, the high savings of Germany's aging society combined with weak public and private investment to make growth overly export-dependent, given Germany's low consumption as a share of GDP.²⁴

Monetary policy is another area of potential friction. Candidate Trump often implied that a robust public infrastructure program would allow the United States to replace monetary stimulus — which Trump sharply criticized — with fiscal stimulus. Such a substitution is likely to be challenging in practice, and this may put the Trump administration in a situation similar to that of Germany's ruling coalition: tolerating long-term expansionary monetary policy despite having strongly criticized it. Sustained euro weakness may further sour the Trump administration's political mood toward the EU and its monetary union. Germany may miss the time when its biggest concerns included Obama's intermittent nudging of the eurozone toward its own form of quantitative easing. Obama strongly supported European integration and the euro, even if his administration's specific recommendations met resistance. Trump's starting point has been hostility to indifference toward the European project and thus toward the euro, a development that has shaken Berlin. At the same time, tough initial rhetoric has not yet been backed by aggressive policy. Recent U.S. moves and rhetoric toward Canada on trade should minimize grounds for complacency.

On fiscal policy, Germany may initially find a Trump administration more congenial, especially as the Christian Democratic Union (CDU) and the SPD attempt to keep euro-rescue policies off the national electoral agenda for fall 2017. Unlike Obama, Trump is unlikely to criticize Germany's cross-party consensus on austerity for the eurozone. Obama's criticism was motivated by the belief that excessive austerity was hurting European growth prospects and undercutting the European project. This concern has not registered in the early months of the Trump administration. Meanwhile, Germany seems to have concluded that strict enforcement of the EU's fiscal rules is either politically impossible, economically counterproductive, or both. Thus, with the new administration disinclined to criticize austerity and Germany perhaps marginally less insistent to push it in the first place, fiscal policy seems less likely to generate U.S.–German friction.

By contrast, the clash in the digital sphere has already accelerated. The CDU and SPD are acting forcefully to show that they are serious about pushing U.S. companies to comply with German law and cultural norms. In early April 2017, the German cabinet approved a draft law that would charge social media companies a fine of up to 50 million euros if they did not remove posts contravening German hate speech law within 24 hours. Another challenge is the EU–U.S. data exchange agreement agreed in 2016, called Privacy Shield. This enables transatlantic data transfers and is crucial for a broad range of businesses and institutions. Privacy Shield relies upon the idea that EU and U.S. laws for data protection and privacy are essentially equivalent. Some Europeans are questioning this assertion much more strongly since the Trump administration's executive

Trump's starting point has been hostility to indifference toward the European project and thus toward the euro, a development that has shaken Berlin.

²⁴ See W. Jacoby, "Surplus Germany," Transatlantic Academy, May 2017, forthcoming at <http://www.gmfus.org/publications/surplus-germany>.

Merkel thrived on the positive attention from the Obama administration. With Trump in office, Germany in coordination with other key EU member states should develop a collective European approach toward the United States, and they should communicate scrupulously with Washington about the tone and tenor of this approach.

orders restricting travel into the United States. One European think tank has already issued a report calling for the European Commission to suspend Privacy Shield because the U.S. travel bans may violate Europeans' right to privacy.²⁵ Both the proposed German law and Privacy Shield could present significant challenges to data exchanges that underpin much transatlantic trade.

What Does Trump Mean for the European Project and Germany's Role?

While Obama's willingness to outsource Europe to Merkel's Germany was counterproductive, Trump's approach is certain to be far more unsettling for Europe and the transatlantic relationship. Trump's campaign rhetoric has moderated in the early months in power, and the openly anti-EU faction in the new administration led by chief strategist and former Breitbart editor Steve Bannon has appeared to lose influence to less radical officials on foreign policy. Yet Trump's comments about the Atlantic Alliance and the European Union remain troubling. As president-elect, he praised Brexit, described the EU as a "vehicle" for German dominance, and declared that the EU's cohesion held little interest for him.²⁶ On the eve of the French presidential election and in the wake of a terrorist attack in Paris, Trump described the Front National's Marine Le Pen as "strongest on borders, and... strongest on what's

been going on in France."²⁷ Overall, Trump's rhetoric on Europe, especially recently, has been more inconsistent and ill-informed than antagonistic.

Still, Trump is likely to discover that the United States has no better allies than the Europeans. Members of his own administration may well remind him that the EU is a major component of robust U.S. alliances in Europe. However, Europeans should brace themselves for a U.S. administration that will indulge an intransigent brand of unilateralism in dealing with NATO and the EU.

Given the EU's current fragility, the Europeans will have little choice but to respond to the Trump challenge through a mixture of pragmatism and principled firmness. There are red lines and non-negotiable conditions for keeping U.S.–Europe relations on track, as Angela Merkel and other EU leaders have conveyed since Trump's election. Europeans must remain cohesive, and they must reject any U.S. policy of divide and rule, as they have for dealing with Brexit Britain. Merkel thrived on the positive attention from the Obama administration. With Trump in office, Germany in coordination with other key EU member states should develop a collective European approach toward the United States, and they should communicate scrupulously with Washington about the tone and tenor of this approach.

The salience of this year's elections in France and Germany cannot be exaggerated. A Le Pen victory in France would have had devastating

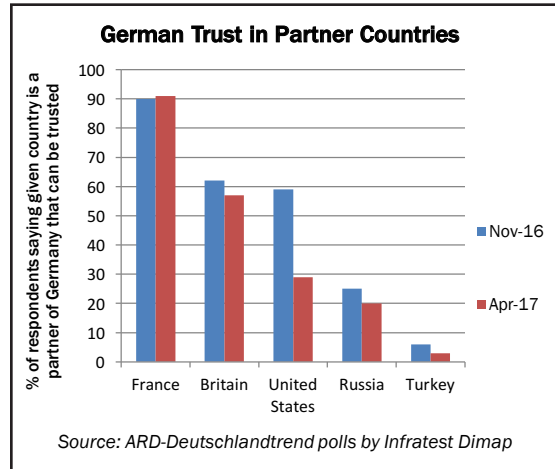
²⁵ E. Guild, D. Bigo, and S. Carrera, "Trump's Travel Bans: Harvesting personal data and requiem for the EU-US Privacy Shield," CEPS, April 5, 2017, <https://www.ceps.eu/publications/trump%E2%80%99s-travel-bans-harvesting-personal-data-and-requiem-eu-us-privacy-shield>.

²⁶ See M. Gove and K. Diekmann, "Full transcript of interview with Donald Trump," *The Times*, January 16, 2017, <http://www.thetimes.co.uk/article/full-transcript-of-interview-with-donald-trump-5d39sr09d>.

²⁷ J. Pace, "Trump: Paris attack will 'probably help' Le Pen in France," Associated Press, April 21, 2017, <https://apnews.com/963d71160ebb429e8e3c11c9f0f37924/Trump:-Paris-attack-will-'probably-help'-Le-Pen-in-France>.

effects on the European project and Franco–German relations. The victory of the centrist candidate Emmanuel Macron has resulted in a strengthened France which has confirmed its European commitment and is now in a position to rebalance the Franco–German partnership. This outcome will likely have positive effects on Germany’s own general election, diminishing the already fading appeal of the far-right Alternative for Germany (AfD) and leading to the confirmation of the country’s commitment to the European project under a coalition led by either Merkel or SPD candidate Martin Schulz, the former president of the European Parliament. Because Macron is likely to call for a rethink of the European construct in the direction of more cohesion and integration, it will also put the onus on Germany to accept a change of course in its European policies and to move more resolutely away from the narrow defense of its national interest, especially in the economic realm.

Public Opinion and U.S.–German Relations



Only 29 percent of Germans see the United States as a trustworthy partner as of April 2017, down from 59 percent in November 2016 but up from 22 percent in February 2017.

By comparison, France, Britain, Russia, and Turkey were rated trustworthy by 91 percent, 57 percent, 20 percent, and 3 percent, respectively. In February, 67 percent believed German firms could be weakened by U.S. economic policies, and 80 percent believed the European Union had to work together more closely against President Trump. In November 2016, 12 percent of Germans said U.S.–German relations would improve if Hillary Clinton was elected, 80 percent said they would not change much, and 5 percent said they would worsen, while 2 percent said relations would improve if Trump were elected, 19 percent said they would not change much, and 77 percent said they would worsen. 75 percent of Germans said they would vote for Clinton if they could vote in the U.S. election, while only 4 percent said they would vote for Trump; 20 percent said they would vote for neither. In comparison, in October 2012, 91 percent said they would vote for Barack Obama and 3 percent said they would vote for Mitt Romney. (ARD-DeutschlandTREND poll by Infratest Dimap, November 2016, February 2017, and April 2017).¹

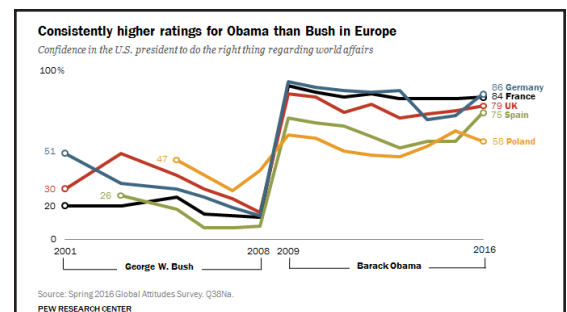
¹ <https://www.infratest-dimap.de/umfragen-analysen/bundesweit-ard-deutschlandtrend/2016/november/>; https://www.infratest-dimap.de/fileadmin/user_upload/dt1702_bericht.pdf; http://www.infratest-dimap.de/fileadmin/user_upload/dt1704_bericht.pdf.

In polling from January 2017, 12 percent of Germans believed it was good that Donald Trump was the President of the United States, while 68 percent disagreed.

85 percent of supporters of both the Social Democratic Party and the Green Party opposed Trump, as well as 81 percent of Christian Democratic Union voters, 78 percent of Free Democratic Party voters, 72 percent of Die Linke voters. One party stood against the overall trend — 53 percent of Alternative for Germany voters supported Trump. (Insa poll for Cicero, January 30).²

Barack Obama was unusually popular in Germany.

86 percent of Germans had confidence in Obama to do the right thing regarding world affairs in spring 2016 (down from a high of 93 percent in 2009 and up from a low of 71 percent in 2014). Comparatively, German confidence in George W. Bush fell steadily from a starting point of 51 percent in 2001 to 14 percent in 2008. (Pew Research Center, 2001–2016 polling).³



American views of Germany are broadly positive.

In a spring 2016 poll, 53 percent of Americans saw Germany in a positive light (down from 59 percent in 2013), 48 percent of Americans described U.S.–German relations as good, and Germany was viewed as America's most-important non-English speaking partner, and its sixth-most-important economic partner. Americans saw Germany as having responded to the migration situation better than their own country though a majority also saw migrants posing a potential security threat. 46 percent of Americans lost confidence in Volkswagen's brand following the emissions test cheating scandal. (Frank N. Magid Associates, Inc. poll for German Information Center, March 2016).⁴

² <http://cicero.de/berliner-republik/ciceroumfrage-klare-mehrheit-der-deutschen-gegen-trump>.

³ <http://www.pewglobal.org/2016/06/29/as-obama-years-draw-to-close-president-and-u-s-seen-favorably-in-europe-and-asia/>; <http://www.pewglobal.org/2008/12/18/global-public-opinion-in-the-bush-years-2001-2008/>.

⁴ <http://www.germany.info/contentblob/4776646/Daten/6427038/MAGID.pdf>.

4

RECOMMENDATIONS FOR THE UNITED STATES

Whatever new agendas the Trump administration brings to U.S. foreign policy, it should understand that the United States needs Germany and Europe, on security and economic grounds. An integrated Europe remains more than ever in the U.S. interest.

Don't undervalue the European Union. Even if one can be sharply critical of the European Union and its present state, the consequences of a destabilized Europe would be hugely costly for the United States, in economic and security terms. Even in a Europe in crisis, individual member states are stronger allies collectively and as part of the European Union than they would be on their own. The unraveling of the European Union could leave a powerful Germany unmoored in an unstable European geopolitical environment.

Deepen counterterrorism cooperation with Germany and Europe. The terrorist threat to Germany could threaten U.S. assets in Germany: military bases and personnel, embassies, and civilians. Rolling up terrorist networks in Germany would also diminish threats to American citizens and assets across the globe, as would information gathering on jihadists in Germany. Some of the most dangerous terrorist plots in recent history have targeted transatlantic air traffic. Terrorists will likely continue to plot attacks of this kind in Europe.

Maintain strategic presence in Germany and Europe. There are still about 40,000 U.S. troops in Germany out of a total of approximately 100,000 U.S. military personnel stationed in

Europe.²⁸ These military facilities in Europe, and particularly in Germany, are an essential element of U.S. military force projection into the Middle East and Africa. The U.S. European Command is based near Stuttgart, and Ramstein Air Base and Landstuhl Regional Medical Center play key roles in U.S. military operations in the Middle East.

Continue and expand a coordinated U.S.–Europe policy toward Russia. Washington should host a new round of negotiations on the eastern Ukraine conflict, along with Berlin, Paris, Kyiv, and Moscow.²⁹ From the start of Russia's intervention in Ukraine, Germany and the EU have been a diplomatic force multiplier for U.S. Russia policy. They have carried the economic weight of the sanctions regime, and Washington cannot resolve the ongoing crisis in Ukraine without its European partners, particularly Germany and France, which are signatories of the Minsk agreement. However the situation has been in a stalemate for months and needs a new impulse which greater U.S. engagement would provide.

Whatever shape U.S. China policy takes under President Trump, the United States should coordinate its policy with Europeans. If the United States wants to challenge China's unfair trade practices, it will need help from others. The European Commission is a powerful actor on trade policy. Moreover, as Europeans, especially Germans, become increasingly worried about Chinese investment and the

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²⁸ According to Defense Manpower Data Center, U.S. Department of Defense, https://www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp.

²⁹ See M. Kimmage, "Getting Beyond Minsk: Toward A Resolution of the Conflict in Ukraine," Transatlantic Academy, May 2017, forthcoming at <http://www.gmfus.org/publication/getting-beyond-minsk>.

SPD chancellor candidate Martin Schulz is likely to run against President Trump, to a degree, as Gerhard Schröder ran against President George W. Bush, putting Chancellor Merkel in a delicate position. Whoever wins and whatever might be said, Germany will continue to be an important partner of the United States.

protection of intellectual property rights, they are becoming more open to taking a more assertive approach. Unless the United States coordinates with the EU, there is a danger that Europeans will align themselves with China to thwart U.S. initiatives.

Avoid trade wars. Transatlantic trade and investment accounts for 40 percent of global GDP. The White House should recognize the benefits of transatlantic commerce are distributed broadly across the United States, with U.S. and European (including German) companies linked in global supply chains. For instance, Airbus has just opened a major plant in Alabama, and 42 percent of its aircraft-related procurement is in the United States. A trade war with U.S. allies that would break these supply chains would be detrimental to all parties involved.

Discourage capital inflows. Capital inflows from abroad may cause unsustainable consumption booms, increase private and public debt, and drive higher trade deficits. If countries with large trade surpluses refuse to adjust through the usual ways — some combination of saving less and consuming or investing more at home — there is a logic to policy action on the other side that would curtail and deter inflows. In the case of the United States, or other countries with large current account deficits, that course could involve raising savings rates, although this is very difficult if funds continually flow in from abroad. Similarly, a tax on capital inflows to the United States might have an analogous effect because it would tend to diminish foreign investment in the United States, without which a U.S. trade deficit, by definition, cannot exist. Moreover, as Germany's fiscal stance became

looser — perhaps from more public investment — the United States' fiscal deficits should shrink. Additionally, the United States could tax consumption more.

Understand that it is campaign season in Germany this spring and summer. Sharply worded comments out of Berlin should be put in the context of campaign rhetoric. SPD chancellor candidate Martin Schulz is likely to run against President Trump, to a degree, as Gerhard Schröder ran against President George W. Bush, putting Chancellor Merkel in a delicate position. Whoever wins and whatever might be said, Germany will continue to be an important partner of the United States.

Officials at all levels of the U.S. government — including in Congress, the Executive Branch, and state and local government — as well as the private sector should do the best they can to promote and preserve the benefits of the transatlantic relationship.

Emphasize the importance of transatlantic relations at your own level of the federal government. At best there will be inconsistent support at top levels. Lower-level policymakers dealing with contradictory statements should emphasize those top-level statements that allow them flexibility.

Promote regional specialization and exchanges. Promote more regional specialization in the foreign-policy apparatus to build expertise on Germany and Europe more broadly. Continue and increase valuable exchanges where officials from partner countries serve within the U.S. government and vice versa. Rethink and reverse proposed cuts

to U.S. diplomatic capabilities, which would be devastating at a time when public diplomacy will be at a premium.

Engage subnational governments. U.S. cities and states can create independent pathways for active diplomacy with peer governments in Europe or even with other national governments (e.g. the 2013 California-China climate Memorandum of Understanding). By connecting like-minded actors who can leverage global ties to support local goals, the transatlantic relationship can become more concrete and practical. Make these programs outcome-oriented so that local support for global engagement is driven by real impact in local communities in areas like energy grids, sustainability, transport networks, and economic development strategies. For example, GMF's Urban and Regional Policy Program has facilitated the transatlantic exchange of policy knowledge for building inclusive, sustainable, and globally competitive cities through projects that engage federal agencies (e.g. the Dialogues for Change initiative) and peer-to-peer networks (e.g. the Cities in Transition initiative).³⁰

Convene a U.S.–German conference on manufacturing excellence. Recognize in Germany a variant of the industrial economy many people across the political spectrum would like to rebuild in the United States. Conditions differ, but opportunities for mutual learning and innovation abound. Seek to

better understand the expectations of German investors in energy networks, skills acquisition, and capital needs.

Take European privacy concerns seriously. American multinational corporations, particularly technology companies, should work on transparency, dialogue, and trust building with German government officials and the German public.

³⁰ The German Marshall Fund of the United States, "U.S. and German Cities for Sustainable Urban Development: D4C," <http://www.gmfus.org/initiatives/us-and-german-cities-sustainable-urban-development-d4c>; The German Marshall Fund of the United States, "Cities in Transition," <http://www.gmfus.org/initiatives/cities-transition>.

5 RECOMMENDATIONS FOR GERMANY AND THE EUROPEAN UNION

Germany should develop capabilities across land, sea, and air with its European neighbors bilaterally or multilaterally, beginning with France.

The German government should meet its NATO commitment to spend 2 percent of GDP on defense sooner rather than later. This is in the German national interest and not a sop to U.S. pressures.

Improve defense capabilities. U.S. criticism that Europe and particularly Germany is not paying enough for its own defense is neither new nor unjustified. To be sure, German foreign aid is high, and its expenses to resettle refugees from Syria are a major security contribution. Yet a significant part of Germany's foreign aid is largely export support. And 2 percent has become an important symbol of commitment to NATO, regardless of the efficiency and real capabilities behind it. The debate about the quality and effectiveness of military spending should result in a renewed effort to achieve joint capabilities standards.

Think about increased defense spending in creative and innovative ways. Here are a few ideas:³¹

Hire and pay private-sector salaries to top-notch cybersecurity personnel. This is an urgent need to engage in counterterrorism measures and to deal with Russian hybrid warfare. Much can be done in a short time to secure Germany's cyberdefense with the right personnel.

Invest in higher education laboratories engaged in defense research. Defense projects that originally began as moonshots at the Defense Advanced Research Projects

Agency (DARPA) in the United States produced significant long-term economic gains. Defense spending can boost innovation and economic output in the long run.

Increase spending on health and pandemic response capabilities, which are both a military and civilian issue. This is particularly acute with millions of refugees in the Middle East and North Africa suffering from appalling physical and mental health issues. Germany could, for example, expand the Bundeswehr Institute of Microbiology in Munich. This spending would ease suffering, promote multilateral engagement with UN institutions like the World Health Organization, increase research capacity in health, and potentially prevent another epidemic like Ebola.

Improve European defense capabilities with NATO as the primary option. Given the Trump administration's skepticism/latent hostility toward the European Union, the withdrawal of the United Kingdom from the EU, and the skepticism of Poland and other eastern European NATO members, increasing German defense capabilities primarily through an EU framework is not realistic and will not be productive in gaining Washington's favor. Germany should develop capabilities across land, sea, and air with its European neighbors bilaterally or multilaterally, beginning with France. Such forces would serve both the purposes of maintaining NATO as the primary framework for its intended military buildup in the short term (as demanded by Trump) and developing functional defense cooperation

³¹ For further detail on these suggestions, see H. Tworek, "How to Spend It: Three Simple Suggestions to Increase German Military Spending," *War On The Rocks*, May 2, 2017, <https://warontherocks.com/2017/05/how-to-spend-it-three-simple-suggestions-to-increase-german-military-spending>.

with European member states for those contingencies in which NATO decides not to engage.

Enhance German counterterrorism capabilities. U.S. signals intelligence has helped to thwart some of the most dangerous plots against Germany of the last decade, highlighting the dependence of German security authorities on the United States. Public criticism of U.S. intelligence collection on German soil notwithstanding, the German government is aware of this dependence. Germany needs far-reaching reform of its badly fragmented security architecture; 38 different security authorities are responsible for counter-terrorism in Germany. Germany must strengthen its police and intelligence to meet an evolving terrorism threat. Within Europe, Germany must improve Schengen border controls while pushing a improved cooperation between European intelligence and police services. Across the Middle East, North Africa, and beyond, Germany needs to sponsor an international diplomatic, economic, and military campaign to counter IS.

A stronger Europe benefits both Germany and the U.S.—German relationship. Europe is threatened by international trade wars and by poor economic performance. To combat these threats, more flexible and balanced economic policies are required. Germany together with France has a crucial role to play in the realization of a more collective approach provided it moves beyond the narrow defense of its national interest.

Undertake coordinated EU fiscal action on ambitious projects. Energy security and refugee health, education, and integration

should be priority areas for such investment, along with a more robust European security program.

Develop and extend banking union. Consider a common deposit insurance scheme. This is required for reversing the national segmentation of credit markets and for making the eurozone an effective single market.

Maintain a constructive relationship with the United Kingdom. The EU should maintain its unity and pursue its interests in the Brexit negotiations, but prevent the relationship with Britain from descending into acrimony, which would weaken both Europe and the relationship with the United States. Beyond Brexit, the EU should pursue strong trade and security ties with Britain.

Retain and redouble commitment to multilateralism. Germany and the EU should see effective multilateral institutions as a way of coordinating national and regional responses to pressing global challenges like climate issues. Yet, if multilateral processes consistently generate politically contentious outcomes — large trade imbalances being an example — the Trump administration's latent preference for bilateralism or, worse, unilateralism will reemerge.

Focus on the long game. Administrations and governments come and go but national interests are long term. Germany and Europe will continue to share a broad range of interests — and values — with the United States, and transatlantic cooperation is an essential means of supporting those interests and values.

Focus on the long game. Administrations and governments come and go but national interests are long term.

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