



40

AICGSPOLICYREPORT

LOOKING AHEAD: THE UNITED STATES, GERMANY, AND EUROPE IN 2020

Jackson Janes
Jan Techau

MEMBERS OF THE INSTITUTE'S BOARD OF TRUSTEES

Fred H. Langhammer, Chairman, Global Affairs, Estée Lauder Companies Inc., Co-Chair

Dr. Eugene A. Sekulow, Consultant, Co-Chair

David W. Detjen, Esq., Partner, Alston & Bird LLP, Vice-Chair and Secretary

John F. Curtis, Chief Financial Officer, Aqua Venture Holdings LLC, Treasurer

Prof. Dr. h.c. Roland Berger, Chairman, Roland Berger Strategy Consultants, Vice-Chair, Europe

Stefan Baron, Global Head of Communications, Deutsche Bank AG

Prof. Ernestine Schlant Bradley, The New School University

The Honorable Richard Burt, Senior Advisor, McLarty Associates

Edward T. Cloonan

The Honorable Thomas L. Farmer, Consultants International Group, Inc.

Prof. Dr. Dieter Feddersen, Attorney at Law, Member of the Board of Directors of Dräger Foundation

John F. Finnegan, Vice President Global Sales, AT&T

Alan H. Fleischmann, Co-Founder and Managing Director, ImagineNations Group

Dr. Gerhard Gnaedig, Partner, Skadden, Arps, Slate, Meagher & Flom LLP

Guenther E. Greiner, President, International Corporate Consultancy LLC

Michael E. Hansen, CEO, Elsevier Health Sciences

Susan S. Harnett, Head of Global Reengineering, Citigroup Inc.

Christian W. E. Haub, Executive Chairman, Board of Directors, The Great Atlantic & Pacific Tea Company, Inc. (A&P)

Hendrik Hollweg, Regional Lead Partner West, Ernst & Young AG

Louis R. Hughes, Chairman & CEO, GBS Laboratories LLC

Dr. Michael J. Inacker, Bereichsleiter, Corporate Communications and Public Affairs, Metro AG

The Honorable Wolfgang Ischinger, Global Head of Government Relations, Allianz SE

Martin Jäger, Vice President, Head of Global External Affairs and Public Policy, Daimler AG

Dr. Josef Joffe, Publisher-Editor, Die Zeit

Frederick Kempe, President and Chief Executive Officer, The Atlantic Council of the United States

Dr. Klaus Kleinfeld, CEO, Alcoa Inc.

The Honorable John C. Kornblum, Senior Counselor, NOERR STIEFENHOFER LUTZ

Dennis R. Kruse, Vice President of Network Services, Orange Business Services

Susan C. Livingston, Partner, Brown Brothers Harriman & Co.

The Honorable Frank E. Loy, Former Undersecretary of State for Global Affairs

Dr. Wallace Mathai-Davis, Managing Partner, The GIA Group

Peter Melerski, Consultant

Dr. Steven Muller, President Emeritus, The Johns Hopkins University

Dr. Andreas Nick, Head of Mergers & Acquisitions, Sal. Oppenheim jr. & Cie.

Morris W. Offit, Chairman and CEO, Offit Capital Advisors LLC

Dr. Lutz R. Raettig, Chairman, Supervisory Board, Morgan Stanley Bank AG, Frankfurt

J. Michael Schell, Executive Vice President, Business Development and Legal, Alcoa

Carl A. Siebel, Member, Board of Directors, AptarGroup Inc.

Lianne Stein, President, Boeing Germany

Dr. Gunter Thielen, Chairman of the Executive Board, Bertelsmann Stiftung

Charles Varvaro, Director, Global Technology Services, IBM

Honorary:

The Honorable James A. Baker, III, Senior Partner, Baker & Botts

Ex officio:

Dr. Jackson Janes, Executive Director



Printed on recycled paper using vegetable-based inks and 100% wind power.





AT JOHNS HOPKINS UNIVERSITY

The American Institute for Contemporary German Studies strengthens the German-American relationship in an evolving Europe and changing world. The Institute produces objective and original analyses of developments and trends in Germany, Europe, and the United States; creates new transatlantic networks; and facilitates dialogue among the business, political, and academic communities to manage differences and define and promote common interests.

©2009 by the American Institute for Contemporary German Studies

ISBN 1-933942-23-1

ADDITIONAL COPIES:

Additional Copies of this Policy Report are available for \$5.00 to cover postage and handling from the American Institute for Contemporary German Studies, 1755 Massachusetts Avenue, NW, Suite 700, Washington, DC 20036. Tel: 202/332-9312, Fax 202/265-9531, E-mail: info@aicgs.org Please consult our website for a list of online publications: <http://www.aicgs.org>

The views expressed in this publication are those of the author(s) alone. They do not necessarily reflect the views of the American Institute for Contemporary German Studies.

TABLE OF CONTENTS

Foreword	3
About the Authors	7
Power, Purpose, and Principle: The Triangle of Transatlantic Relations	9
Germany 2020 - Europe 2020	23
Summary	41



FOREWORD

2009 was a year of historic milestones for Germany and for the transatlantic relationship. The Federal Republic of Germany commemorated its 60th anniversary and a united Germany celebrated the 20th anniversary of the fall of the Berlin Wall. Both events have meaning and repercussions not only for Germany, but also for Europe, the United States, and the world. On the occasion of these two historic milestones, the American Institute for Contemporary German Studies (AICGS) examined the founding pillars of the Federal Republic in light of Germany's domestic policies and Germany's role both in Europe and in the world today. The year-long project encompassed a series of conferences in spring and fall 2009 and three AICGS German-American Issues publications of a selection of essays stemming from the conferences. Additional essays by AICGS non-resident fellows reflecting on the past sixty and twenty years, as well as predictions and prescriptions for the future, were featured in the Institute's online Transatlantic Perspectives series. Additionally, selected experts embarked on lecture tours throughout the United States to increase knowledge of Germany beyond Washington. The project culminated in this Policy Report, which examines future challenges for the United States, Germany, and the transatlantic relationship.

This foreword summarizes the findings of the project and highlights the most important outcomes on this analytical work. The first conference on "The 60th Anniversary of the Federal Republic of Germany: Its Founding Pillars Today" examined the relevance of important pillars—the German-American relationship, the German Basic Law, and the social market economy—of the founding of the Federal Republic to today's realities. Although the U.S. played an immensely important role in the process of German and ultimately European unification, this role has been largely overshadowed by German and European self-absorption with the process of its unity. In an effort to forge a common identity, Europe often opposes the U.S. rather than detailing what Europe stands for, for example in contrasting the American social and economic system as a less desirable form than the European model. These historical legacies from the Cold War often play out in real political differences. Germany's strategy of engaging Russia is still sometimes evaluated by the U.S. and some eastern European countries in Cold War categories. The German-American relationship continues to be affected by the substantial adjustment Germany's foreign policy has been required to undertake, most notably in the war in Afghanistan. Germany's role in this conflict is based on decisions of the Constitutional Court, which frequently adds guidelines for the implementation of policies. Modern Germany's deeply embedded reticence toward the use of force, which consistently places it in conflict with America's more muscular vision of trans-Atlanticism, has both roots and expression in the German Basic Law. The Basic Law has made the use of force in Germany almost exclusively a question of politics, democracy, and law. Another defining aspect of the German-American relationship in the past year has been the economic and financial crisis. Germany's system of social market economy and *Ordnungspolitik* has also framed the country's approach to the current crisis, relying on social welfare measures such as *Kurzarbeit* (short-term work) to cushion the effect of the crisis on employment figures. Even so, the German social market economy is facing an increased disparity between income classes and increased dissatisfaction with the economic situation and the political system. The idea behind social market economy—to provide prosperity for all—is currently at stake. In the wake of globalization and the current economic crisis, both German and American citizens are beginning to question whether a state can protect its citizens and provide them with economic welfare. Germany's policy answer will be colored by its founding pillars, which provided a foundation in foreign, economic, and domestic policy after a much larger crisis sixty years ago.

The second conference on “The German Elections – A Party System for the Future?” examined in more depth the German political system at the occasion of the German parliamentary election in September 2009. Specifically, the conference concentrated on the implications of the German election, the development of the German party system, the U.S.’ expectations of the new German coalition, and the impact of the election on potential reforms of the German federal system. The outcome in the September 2009 election reinforced the six party system and highlighted the increased role of small parties in German politics. The two large *Volksparteien* (catch-all parties), the CDU and especially the SPD, lost a large amount of votes and continue their decline seen since reunification. The SPD in particular suffers from competition with the Left Party, which has itself transformed into a *Volkspartei* in eastern Germany. The SPD will have to come to terms with this competition and determine if it will continue to reject a possible coalition on the federal level with the Left Party or it is more open to cooperation, as it has demonstrated on the state level in eastern Germany.

The newly elected governing coalition between the CDU and the FDP has to confront a variety of foreign and domestic policy challenges. The U.S. expects Germany’s continued and increased commitment in Afghanistan and this decision will be a guidepost for the German-American relationship under the new governing coalition. Most likely, however, Germany’s foreign policy will remain static and cautious. While the United States would welcome the German government’s action and creativity in suggesting foreign policy solutions rather than its passive response, it will benefit Chancellor Angela Merkel to be cautious on international policies, since this will boost her position domestically. This will be the case especially if the economic crisis has further repercussions in Germany and domestic policies come to the forefront. While the FDP election campaign focused heavily on tax cuts, the burgeoning deficit will make any significant tax decreases almost impossible. In domestic and economic policies the interplay between states and the federal government plays an important role. Although the federal system creates a necessary system of checks and balances, it also has a negative impact on the output of political processes, creating political gridlock. Several reforms have been attempted in streamlining the federal system; most notably the implementation of the debt brake will limit the latitude of the current government’s tax policies. Further reforming the German system will be necessary to adjust the founding principles of the Federal Republic to today’s world while retaining their core meaning.

The final conference on “1989 – 2009: Germany and Transatlantic Relations 20 Years After the Berlin Wall” examined the implications of the fall of the Berlin Wall for Germany, Europe, and the world. Germany is still grappling with the effects of unification, domestically and internationally. Domestically, differences still exist between the western and eastern states, which is clearly demonstrated by a different voting pattern in the two parts of Germany, a result of the different political reality in the east shaped by three factors: First, the peaceful revolution in 1989 was driven only by a minority of the population; second, the impact of forty years of dictatorship is still prevalent; and third, a political schism exists between the two parts of the country, evidenced by the rise of leftist parties in the east. Both the “old” and the “new” *Bundesländer* are continuing to come to terms with the legacy of the GDR and in particular its inherited economic liabilities, which still today translate into high unemployment figures in some parts of eastern Germany. Internationally, Germany continues to adjust to its foreign policy responsibilities and its place in the center of Europe; in fact, Europe as a whole is continuing to adjust. Germany’s unification led to a unification of Europe, not only through enlarging but also through deepening the Union. Germany led—and continues to lead—the EU in integrating many of its neighbors in to the EU’s institutions, although Germany’s concern for consensus may well impinge on its ability to lead in the EU. Indeed, the give-and-take of conflict and negotiation will characterize the way forward in EU integration, especially as countries will have to decide how best to identify Europe as a political actor, both within Europe and in the international arena. Today, European unity is incomplete, but the Union is a fact—even though many opinion polls show that citizens think EU enlargement increases their own domestic difficulties. Finding a European narrative inside and outside the EU becomes thus even more imperative. Going forward, the EU will, first, need to make its constellation of different national choices more consistent throughout the Union and, second, the EU will need to prove its relevance in finding global solutions.

The fall of the Berlin Wall thus also had global implications. The U.S., no longer responsible for security in Europe as it was during the Cold War, has turned its attention to a certain extent elsewhere. In the past, policy analysts and policymakers in the U.S. often debated whether a strong and united Europe would be desirable for the United States, especially in terms of a common European Security and Defense Policy (ESDP). Today, the benefit of a united Europe is clear; very few in the U.S. do not support a united Europe. Yet, while Europe is unifying it is far from being unified. In the east, Russia and Poland compete for Germany's support and Germany's response to the new political order following the Cold War, including the competition between its eastern neighbors, remains unclear. While Germany understands the nature of this dilemma, the U.S., which is politically still a part of Europe, might not. A strong partner is needed to cooperate with Russia, and although Germany has the economic weight to be able to be a strong partner, it does not have the same political self-confidence as Russia. Historically, Germany has been a bridge between eastern and western Europe and, as it finds itself at the heart of the European Union, it has started to return to this notion. Twenty years after the fall of the Berlin Wall, Germany should move from a mentality of being caught in the middle and instead understand itself as the center of a new Europe.

The three conferences reflected historic milestones in the context of today's politics and politics, enabling AICGS to analyze the continued importance of historically-based systems and paradigms even today. This Policy Report by Jackson Janes and Jan Techau examines these systems and paradigms in Germany, Europe, and the United States and forecasts how these will influence and shape tomorrow's world, which has become more complex sixty years after the founding of the Federal Republic of Germany and even twenty years after the fall of the Berlin Wall. In 2020, this world will continue to have changed as it confronts globalization, climate change, terrorism, war and peace, and the importance of nation states and international organizations, to name only a few challenges. Jackson Janes asserts in his essay that the transatlantic community can confront these challenges only together, as it remains the only option open to the West. He examines the choices ahead for Europe and the United States over the next ten years and outlines three factors that will be of central importance in shaping the world to come: the increasing interdependence in transatlantic relations, the sliding scale of consensus and competition, and the sharing of burdens and power across the Atlantic. His essay focuses on the role of the United States, and its choices as a superpower that yet cannot achieve its objectives alone. The counterpart in this Policy Report, written by Jan Techau, centers on Germany and Europe in 2020. He argues that the fundamental pillars of Germany's postwar and post-unification order will be challenged over the next ten years, making the Federal Republic in 2020 look significantly different from the one today. His essay outlines the transformation of the German economy and of Germany's foreign policy and international role, as well as the national debates accompanying this transformation.

This Policy Report concludes AICGS year-long project on the 60th anniversary of the Federal Republic and the 20th anniversary of the fall of the Berlin Wall with an eye toward the future and the changes and challenges transatlantic policymakers and the publics in Germany, Europe, and the United States can expect and anticipate. AICGS will continue to provide the accompanying analysis of these transformations and challenges on both sides of the Atlantic.

AICGS is very grateful to the Transatlantik-Programm der Bundesregierung der Bundesrepublik Deutschland aus Mitteln des European Recovery Program (ERP) des Bundesministeriums für Wirtschaft und Technologie (BMWi) for its generous support of AICGS' project on "60 Years Federal Republic of Germany: Rebuilt, Reunified, Revitalized?". The project is also supported by the Draeger Foundation and by the AICGS Business & Economics and Foreign & Domestic Policy Programs. Additionally, AICGS would like to thank Kirsten Verclas, Research Associate, and Jessica Riester, Research Program and Publications Coordinator, for their work in implementing the project and editing this publication.

ABOUT THE AUTHORS

Dr. Jackson Janes is the Executive Director of the American Institute for Contemporary German Studies at Johns Hopkins University in Washington, D.C. He has been engaged in German-American and European affairs for more than three decades. Dr. Janes is a member of the Council on Foreign Relations and also a member of the International Institute for Strategic Studies. He serves on the Board of Trustees of the American Bundestag Intern Network (ABIN) in Washington, D.C. and on the Advisory Board of the Allied Museum in Berlin. He was also Chair of the German Speaking Areas in Europe Program at the Foreign Service Institute in Washington, D.C. from 1999-2000. In 2005, Dr. Janes was awarded the Officer's Cross of the Order of Merit of the Federal Republic of Germany, Germany's highest civilian award. Dr. Janes earned his Ph.D. in International Relations from Claremont Graduate School, his M.A. from the Divinity School at the University of Chicago, and his B.A. in Sociology from Colgate University.

Mr. Jan Techau is the director of the Alfred von Oppenheim Center for European Policy Studies at the German Council on Foreign Relations (DGAP) in Berlin. He has published numerous articles on the EU, transatlantic issues, and German foreign policy in scholarly journals and the news media. He has contributed his analysis and comments to *CNN*, the *BBC*, the *International Herald Tribune*, *Deutsche Welle*, *Deutschlandradio*, *Al Jazeera*, *Bloomberg TV*, and other German and international outlets. In July of 2008, Mr. Techau was named an Associate Scholar at the Center for European Policy Analysis (CEPA) in Washington, D.C. From 2003 to 2006 Mr. Techau served at the German Ministry of Defense in Berlin as coordinator of the Bundeswehr's online media and media cooperations. From 2001 to 2003 he was the Security and Defense correspondent of the Bundeswehr's online and print media. As a fellow in the Robert Bosch Stiftung's Post-Graduate Program for International Affairs in 1999/2000, he oversaw a media project in Palestine and worked in the European Commission's External Relations Directorate General in Brussels. Mr. Techau holds an M.A. in Political Science from the Christian-Albrechts-Universität in Kiel, Germany, and was a student at The Pennsylvania State University (USA).



THE TRIANGLE OF TRANSATLANTIC
RELATIONS

01

POWER, PURPOSE, AND PRINCIPLE: THE TRIANGLE OF TRANSATLANTIC RELATIONS

JACKSON JANES

Introduction

Twenty years after the fall of the Berlin Wall, the impact of that historic turning point continues to reshape the world and our thinking about it. We have been struggling to understand the transformation of power and influence in a global framework in which old and new players are shaping the challenges and choices of the twenty-first century. While the main players remain nation-states, a complex web of strategic alliances, global corporations, international organizations, and non-governmental groups increasingly impacts the framework in which states interact. The concept of globalization has been the most frequent label used to define the transformations of the last two decades. While this is often translated into increasing economic interdependence and its attendant vulnerabilities, globalization also means the impact of increasing aspirations and expectations among billions of people who are aware of the asymmetries in the world they inhabit. Furthermore, it means that the challenges we all face erode national boundaries, making it is more and more difficult for a country to control forces spilling over into their territories, be it terrorism, crime, climate change, pandemics, or economic panics.

The horrors of 9/11 brought home other kinds of globalization as well as the clash of visions about the future. The end of the Cold War brought with it the hot conflicts of ethnic, racial, and religious divides which had been lying underneath the tundra of the Cold War. Climate change became another key concept in the struggle to define globalized threats, along with the nightmare of a proliferation of nuclear weapons falling into the hands of terrorists.

The end of the Cold War did not make the world safer. It made it more complicated; it challenged us to develop new ways of responding to the challenges. All the tools we had developed in the last half century were fashioned to cope with the world that emerged out of WWII. These tools had served their purposes but are now seen as a reflection of power and influence in the past, less pertinent to the changing circumstances of the present. The thousands of nuclear weapons we had accumulated, the outdated structure of the United Nations Security Council, as well as the distribution of representation and influence in the international organizations—all of these tools are facing the need for either retooling or reinvention to face today's realities. As has been said about defense postures, the generals and their armies are always prepared to fight within the parameters of the last war. Today we have Cold War institutions with which we are trying to solve post-Cold War challenges; they will need to be adjusted accordingly.

If the post-Cold War world is no longer defined by bipolar confrontation, how should it be defined: multipolar? Non-polar? Or has the very concept of poles become outdated? It is clear that we are seeing a transforming equation of power, wealth, and influence emerging with new roles being claimed by China, India, and Brazil, among others, who are challenging the previous parameters of world politics in the last century.

Throughout the transformation of the last two decades, the transatlantic alliance at first appeared as the greatest winner of the end of the Cold War: NATO increased its membership and extended its reach beyond the border of Europe to Afghanistan; the

European Union enlarged its ranks and its reach as the world's largest economic market with its own currency; after centuries of war, Europe had taken an historically unique step in the direction of transcending national sovereignty and creating a new form of international integration the likes of which had never before existed.

Taken as a whole, the transatlantic community has become an even more powerful space, not only based on the combination of economic, technological, and military capabilities, but also based on shared interests, goals, and values. The multi-level relationships across the Atlantic are matched nowhere else in the world, marked by millions of jobs generated by and dependent on them to generate billions of trade and investment. It is also defined by two of the most successful cooperative initiatives of nation-states in world history: NATO and the European Union, under whose roofs live close to a billion people.

Within the transatlantic community, there are both centrifugal and centripetal forces at work, within Europe as well as across the Atlantic, all involved in trying to find the best path forward into the twenty-first century. Accurate road maps were and are hard to find.

In examining the choices ahead for Europe and the United States over the next ten years, three factors will be of central importance in shaping the world to come: the increasing interdependence in transatlantic relations, the sliding scale of consensus and competition, and the sharing of burdens and power across the Atlantic. How to envision this evolving world and the role of the United States, Europe, and Germany in it is the subject of this essay.

The United States: New Challenges in a New Century

Otto von Bismarck once said that God protects children, drunkards, and the United States of America. At the time he made that observation, the United States had not yet arrived as a major global power, having just survived a brutal civil war and major economic challenges. But the following century told a different story about the United States, and that story became known—at least to many American historians—as the

American century. By the end of the twentieth century, the United States was to become the most powerful nation on the globe. Some explained the development with arguments about the exceptional nature of the United States—its powerful economy, its unique geography, its vast military strength, and its vibrant democracy. During most of the twentieth century, 5 percent of the world's population generated a quarter of the global gross domestic product (GDP). The country became a leader in research and development and innovation. And with close to eight-hundred military bases in forty countries, it could project power all over the globe.

The U.S. had also tipped the balance in ending both world wars of the last century. The United States came out of World War II as the leader of the Western Alliance and the driver of those institutions and alliances which would steer us through the Cold War and create a vast web of working relations with former enemies like Germany and Japan. U.S. policy was designed to support the emergence of a sustainable Western Europe on the front line of the Cold War. Toward that end, the U.S. was the founding leader of NATO and guaranteed the security of Western Europe for half a century. That brought with it enormous costs but also benefits, the latter becoming visible in the unification of Germany in 1990 and the gradual emergence of what President George H.W. Bush called a "Europe whole and free" during the following two decades. In the last half century, Europe and the U.S. accounted for 40 percent of world trade, 60 percent of global GDP, and 80 percent of the research and development products, with an exponential growth in transatlantic trade, services, and investment. There is no greater trade relationship in the world, an equation which generates close to four trillion dollars in annual sales and also over fourteen million jobs on either side of the Atlantic.

Yet the end of the Cold war was also a challenge to redefine how the U.S. and Europe would view the web of interdependence which had shaped the transatlantic relationship in terms of power, principles, and purposes.

By the time the Berlin Wall fell, followed by the implosion of the Soviet Union afterward, the accumulated economic, political, technological, and of course mili-

tary power wielded by the U.S. appeared to be unparalleled in world history. Some described the period following the end of the Cold War as a period of an American empire, making comparisons between the United States with the vast reach of the Roman Empire some two thousand years earlier. But the fact is that neither the Romans nor the Americans ever experienced a real uni-polar moment. There were other parts of the world that were able to survive without Roman interference and could watch the Roman Empire decline as they flourished. The Roman Empire, in today's terms, was more of a regional force in its pinnacle of power.

While the United States was to become a truly global power, it was unable to win, control, or solve conflicts in Korea or Vietnam, to stop genocide in Rwanda, or to bridge the conflicts in the Middle East. After decades with the U.S. and the Soviet Union facing each other with thousands of nuclear weapons at the ready while engaging in many proxy wars around the world, the end of the Soviet Empire was heralded as a victory for the west and the end of history. But the 1990s reminded us again of history's remarkable resilience, as ethnic conflicts raged in the Balkans, Chechnya, and Africa. Ultimately, with all its global force projection, the U.S. was not able to prevent a terrorist attack on New York's World Trade Center in 1993 and another more catastrophic attack in 2001. An array of powerful resources did not translate into control over the course of world politics. It was a world as it always was—marked by a diffusion of power.

THE USE OF AMERICAN POWER AND PURPOSE

With all the power available to it, the U.S. has always faced serious constraints on its choices and decisions. Today, the web of globalization makes for more interdependence with regard to trade, energy supply, counterterrorism, climate change, large scale migration, and the spread of disease. That complex equation of interdependence involves tradeoffs, compromises, and sometimes setbacks. It does not lend itself to a command and control approach.

Despite its unique collection of power resources and projection, there are constraints on the degree to which the United States can control and influence

the behavior of governments because power in today's world is more multi-dimensional but also more diffuse than ever before. The option of military intervention is fraught with dangers as we have seen in Iraq and Afghanistan.

The dictatorial suppression of civil rights in many countries is a reality that the United States cannot alter, be it in China, Burma, Egypt, or Iran, among many others. At the same time, the need to engage those same governments in dealing with threats and dangers is part of that reality.

There are also domestic constraints on what the U.S. is willing to do with its power, be they economic or indeed political, especially when the country does not have a domestic policy consensus. We saw that demonstrated during the Vietnam War and we see it again today in the debates over Afghanistan.

The debate about how to use American influence and power is as old as the country itself. The U.S. debated the issue even when it had very little power to project. There were those who felt that America's global role was to lead with the power of its example, while others argued that it is the example of its power which leads other countries to follow. In fact, both approaches were and are needed at different times and under different circumstances.

Some argue that it is a debate between those who promote what is called soft power—the power to persuade—while others believe that America must always have the ability to exercise hard power—the power to demonstrate political will and the ability to back it up with the threat or the actual use of force.

Again, this is not a new debate at all. There have always been those who advocate that the United States is best advised to focus on what other nations do in their foreign relations rather than what is going on inside countries. Others believe it should be the principle of the U.S. to seek to influence the development of states in the direction of the principles of democracy and stability.

During recent years, proponents of both sides have seen the weaknesses of their arguments demonstrated. The Clinton administration demonstrated that

persuasion was not going to work in stopping the genocidal violence in the Balkans. Hard power was required. The Bush administration demonstrated the limits of the use of military power to control states behavior in the cases of Iraq and Afghanistan, as well as the failure to prevent others from pursuing their own hard power in the form of nuclear capabilities.

In today's globalized world, the composition of international power has shifted more in the direction of economic levers, with the increasing interdependencies of nations forcing countries to find ways to engage in securing economic security and stability within their own borders as well as across them. States can link their economic power to foreign policy goals both as deterrents and as incentives, be they sanctions or trade agreements. Still, economic efforts alone have also proven inefficient, illustrated by Iran as it continues to flaunt years of sanctions in its efforts to achieve nuclear power or by the dictators in Burma or in North Korea. Finding the right balance of hard and soft power remains the challenge of diplomacy.

President Barack Obama has now entered this continuing debate. How will he forge the balance with partners and competitors? Today we are seeing both change and continuity in an American debate about the priorities we need to set in the twenty-first century. When President Obama took office most of the world's reaction was positive. Of course, simply not being George W. Bush was enough for many people to greet the new president with enthusiasm. But the continuing challenges of preventing nuclear proliferation and terrorist attacks, climate change, energy security, and global economic recession all still confronted the new occupant of the White House.

INTERDEPENDENCIES IN THE TWENTY-FIRST CENTURY

The increasing degree of interdependence among states has made consensus at once more difficult and at the same time more necessary. In this framework, the role of the United States has not been diminished. It remains a pivotal power for every nation on the globe. But it's also clear that the new equations of power require the engagement of ever more players. One illustration of both is the enhanced importance of the G20 meetings, which now appear

to have assumed greater influence than the G8 meetings among primarily western states. On the other hand, increasing number of actors can also constrain efficiency. Nevertheless, there is an increasing need to recognize the levels of mutual interdependence or mutual indispensability on the global stage. President Obama has indicated that he understands this complexity. The question remains: what tools are needed to deal with it?

ADDRESSING GLOBAL THREATS

An important dimension of the debate about the direction of its foreign policy has to do with the degree to which one nation can in fact shape the domestic direction of another. It is one thing to argue that military force should be applied to stop murder, slaughter, invasions, or aggression. It is another to seek to change the behavior of a country, especially if that behavior either threatens others or threatens its own population.

By what authority does one intervene in a country like Afghanistan, Iraq, Somalia, the Congo, Zimbabwe, Burma, or North Korea when we know the governments in power are subjecting the population to misery, poverty, and torture? What are the rules of engagement and who sets them? If the principle of national sovereignty is violated in terms of protecting its own citizens, who bears the responsibility to protect them?

The decision by the United States to lead an international force to remove Saddam Hussein from Iraq in 1991 was supported by a larger alliance of nations who saw both the need and the self interest in stopping unilateral aggression as shared value and goal. In 1999, air attacks on Serbia were carried out within the framework of NATO but without a United Nation Security Council mandate, which could not be reached by consensus. The decision by the U.S. to attack Afghanistan in 2001 was based on the country's use as a platform from which al Qaeda was able to attack the United States. That decision was supported within the framework of the NATO alliance through Article 5 as well as within most of the international community. Two years later, the U.S. decision to attack Iraq was based on assumptions concerning alleged efforts in Baghdad to acquire weapons of

mass destruction, an assumption that turned out to be wrong, but the decision was also the source of major conflict between the United States and many countries in Europe who did not support it.

In the absence of global government we have to rely on building a consensus—some would call it a “coalition of the willing”—to respond to perceived threats. But as we have seen, there is not always agreement on the nature of the threat and there may be different sets of partners engaged each time. Some have argued that there ought to be a new alliance, a world-wide League of Democracies, perhaps, willing to respond to such challenges. Others see in that initiative a weakening of existing institutions and platforms such as the United Nations. Yet it is clear that forging a consensus in the UN is anything but easy and often results in less-than-effective actions. The argument over the decision to invade Iraq in 2003 brought all these weaknesses to light and we have yet to figure out what lessons need to be learned from that experience, both for those who were against as well as those who supported it.

A NON-TRADITIONAL SUPERPOWER

In all of these frameworks however, the United States is still cast in the role of being a global leader, or put another way, a global balancer. To lead, however, is not to dominate or dictate. It means primarily the ability to lead the way toward solving problems. U.S. Secretary of Defense Robert Gates has said about American leadership, “Success will be less a matter of imposing one’s will and more a function of shaping behavior—of our friends, our adversaries, and, most importantly, the people in between.”¹ The people in between are those to whom President Obama spoke in Cairo, in Ghana, in his (religious holiday) messages to the Iranians, and most recently to audiences in Asia. He has not used phrases such as “axis of evil” to describe countries as much as he has been speaking about the responsibilities of governments to their own peoples, wanting to give encouragement to those who can strengthen that trend. In this, Obama echoes one of the last speeches of President Kennedy in 1963 when he spoke of having a common human destiny, “with all of us breathing the same air, and seeking similar goals.”²

But as in the past, President Obama’s success will also be determined by the degree to which those engaged in problem-solving believe that progress is being made under the leadership of the United States. As the last half century of the transatlantic alliance has demonstrated, one can argue that self-interest is always more enlightened when the interests of others are also considered. In a world in which power is becoming more diffuse or splintered, it is that much more important that everyone feels a sense of being empowered to solve problems. But this argument will not always persuade the dictators who see the preservation of their own power as the first priority, be it in Zimbabwe, Burma, or the many other sites of injustice and cruelty around the globe. President Obama’s recent Nobel Prize acceptance speech in Oslo referred to the principle of nonviolence but also to the need for force to secure the freedom and liberty of the oppressed.

Like all his predecessors in the White House, President Obama has the opportunity to engage U.S. power to address the multitude of challenges the United States must confront. Given that there are so many challenges, the key question to be answered is how can the United States use its finite resources most effectively? Fareed Zakaria recently laid out a rationale for American leadership. He suggests that the United States could play the role of an honest broker—a role he sees Germany having briefly played in the late nineteenth century—by “forging relations with each of the major countries, ties that were closer than the ones [the major] countries had with one another.”³ He says that this is the role the U.S. should be playing—not as a traditional superpower, but as one which practices consultation, cooperation, and compromise. But if and when that strategy fails, the use of force will still remain a necessary tool.

However, the capacity of American power and diplomacy will depend not only on how we use them but on the policies and goals we are pursuing. The Bush years were marked by policies that lacked both diplomacy and the ability to compromise. He was often a prisoner of his own ideological making, constrained by his policies instead of having the willingness to make changes when needed. Obama assumed office with the opportunity to change right away the tone as well as the goals of foreign policy; his approach has

been to expand the framework in which problems are encased to involve more stakeholders in finding solutions. We will be watching to see how his success can be measured. After one year in office, there are some that are critical of the president, accusing him of being all talk but not getting many results—whether extending a hand to Iran for dialogue, resetting the dialogue button with Moscow, or persuading the Palestinians and the Israelis to bridge their conflicts. Others felt, less than a year in the White House, that he deserved the Nobel Peace Prize for helping to reset the agenda of global cooperation and dialogue. Between those two positions we will find the President struggling with the decisions amidst a very noisy American debate at home and a new equation of power and influence abroad. The President's decision to increase the military presence in Afghanistan during the next two years is a vivid demonstration of the complexity of those decisions involving American power and purpose.

LEADERSHIP AT HOME

On the domestic front, President Obama faces the double challenge of maintaining confidence in his leadership to guide the country through the worst economic recession in seven decades. His presidency—and the prospects of a second term in 2012—will now hinge on the support he will need in Congress and throughout the country to engineer both legislative reforms in health care and climate policy and in dealing with the enormous expansion of the role of government in confronting the twin problems of generating economic growth and jobs to go along with it.

In the foreign policy arena, several benchmarks of the President's next three years will be set by the ability to stabilize Afghanistan to enable an eventual withdrawal of the U.S. presence there, the shift of responsibility for stability in Iraq to Iraqis, and the capability of showing some measure of progress in containing Iranian aspirations for nuclear power in order to head off a perceived need to take military action. All of these plus many more challenges will need to be managed in ways that emphasize the leadership of the United States in partnership with others in the pursuit of common purposes.

Wielding such leadership is directly connected to maintaining the power of legitimacy. Generating support for policies—at home and abroad—is not just a good idea; it is a requirement, especially when the use of force is involved. Generating international public support for American foreign policy is critical in a world in which nations have their own interpretation of events and actions. The battle of ideas remains at the core of a successful foreign policy. As demonstrated by his speech in Cairo, what Obama has done is to refocus the world on principles America represents. How successful he will be in places around the world which appear to have intractable and hopeless problems will depend on his ability to lead the country in the direction of joining forces to solve those problems, but he will need other leaders of other countries and organizations to succeed.

In the twenty-first century, the United States is not going to have the same set of conditions which it enjoyed in the previous century. It will find it more challenging to mobilize its resources in a world in which its economic, military, technological, and therefore political weight will be increasingly matched by others. Certainly China has the potential of becoming a chief competitor to the U.S. Yet the constraints which China faces are also significant as far as solving a large mix of social, environmental, and economic problems—apart from the challenge the government faces in trying to maintain its highly centralized political control of the state.

For the U.S., thinking about the future means thinking about managing leaders in partnerships which will be forged by and with those leaders interested in a combination of both shared interests and values. The strongest platform for such partnerships remains across the Atlantic.

Europe's Next Steps

The EU success story is truly unique, particularly when one remembers the centuries of bloodshed that had previously plagued Europe. In little more than half a century the Europe which had been devastated by war had reassembled itself around the goal of a united Europe. Beginning in 1957, the evolution of that unification process has been gaining momentum each decade with increasing membership, and an intensi-

fied effort to speak with a unified voice. Much has been accomplished in the creation of a set of European institutions and processes of governance, the creation of a common currency within the world's largest internal market, and increased capabilities of the European Union to forge common ground among the membership and to speak with a common voice to the rest of the world. The recently approved Treaty of Lisbon represents the next phase in the evolution of Europe, offering an enhanced opportunity to strengthen the efficiency and coherence of this union of twenty-seven states.

EUROPE: AN INCOMPLETE PROJECT

And yet for all its accomplishments, Europe itself is still a work in progress. As the battle over the Lisbon Treaty made clear, the European Union is still made up of member states working toward some new forms of shared sovereignty while wanting to maintain a balance of authority between them and the Union. While the EU's reach into the domestic decision-making of the member states is growing, there are still important differences in approaches to foreign policy interests and priorities. Even though the treaty has created the basis for a Common Security and Defense Policy, implementing it will take more evolution. Despite with the introduction of a High Representative of the Union for Foreign Affairs and Security Policy, the primary authority in this area remains with the member states. There are too many cracks over issues such as further expansion of EU membership, the use of military force to confront threats, and the availability of resources for a defense force.

The economic recession has also tested the resolve of a common European response as governments struggle to deal with debt and unemployment without falling victim to the pull of protectionist temptations.

The future of Europe is of enormous importance to the U.S., and President Obama has made that clear with multiple visits since he was elected. But that importance is no longer reflected in its front-line status in the Cold War, but rather in its ability to be partner in dealing with challenges within and well beyond European borders.

CHALLENGES ON THE EUROPEAN AGENDA

That also means that Europe must deal with its own remaining areas of instability, such as in the Balkans, Cyprus, or within the many countries aspiring to membership in the EU. It has yet to answer the question: where is the border of Europe and how should it be defined?

Additionally, no less than the United States, Europe must be able to come to grips with its own capacities to coordinate its energy policies as well as its economic policies; this will help it act more as a global player, attending to the needs of those around the world seeking economic and political equity and able to exert pressure on those who seek to use energy supplies for political ends.

Europe faces some serious domestic problems in the near future, some of which are more acute than others. There are economic and social challenges ahead which will come with enormous pressure on the future of member states with expensive social welfare and health care systems. Europe's demographic future is facing the double challenge of a declining working population amidst an aging public and a long-term problem of labor shortages. There are serious immigration challenges, particularly with regard to expanding Muslim communities across Europe, and the struggle to find the right equation between religious freedom and cultural heterogeneity.

These are all significant challenges, but based on the track record of the last half century, we should not underestimate the possibilities for finding solutions. At the same time, those solutions will be influenced and shaped by the larger set of challenges emerging well beyond Europe, in the Middle East, Africa and Asia. This is an age in which the agendas of the world's major countries may not be driven by the thirst for conquering countries but increasingly by the threats of nuclear proliferation, the expanding need for energy supplies, an endangered climate, the pathology of terrorism, and by the increasing demands of billions of people who want an equitable share of the world's resources.

Within the framework of transatlantic relations, there is a unique and deep foundation on which to build

partnerships for these twenty-first century challenges we all face. The history of those relations over the last half century includes many successes, one of the major pinnacles being German unification in 1990. Yet it is the unification of Germany that also signaled the evolution of a Europe which would develop new capabilities as well as choices for itself as well as in its relationship with the United States.

Germany: A Leader in Partnership

During the past few decades, the Federal Republic of Germany has evolved as the world's leading export nation, a powerful economy, and a leading actor on many international stages, be they in Europe or across a range of international institutions and initiatives. Germany has also been both the lead supporter of the EU's development during the past half century and has been a major beneficiary of that success. West Germany has also been a linchpin supporter for NATO during the Cold War as a primary basing theater and it remains a cornerstone of the alliance today.

For the duration of the Cold War, there was a stable bargain across the Atlantic. The presence of the largest concentration of American forces in the world spread primarily throughout Germany guaranteed German and West European security in the face of Soviet forces on the other side of the Wall and the opportunity to grow into one of the most politically vibrant and economically wealthy regions in the world.

In return, Germany became a key partner across a wide spectrum of transatlantic initiatives. Eventually that collaboration led to the unification of Germany, clearly the biggest success story of German-American relations.

Germany has been sensitive to the roles it can play as well as those in which it must continue to be aware of the legacy of its past. But it has been able to secure in most instances recognition of legitimacy as a partner and in many cases as a leader.

The German-American relationship throughout all this time is truly a unique one. In one century two countries went from the blackest depths of hostility and war in the first half of that century to the pinnacle of

international partnership in the second half and into the beginning of another.

The path has not been free of clashes. We saw that in the argument over Iraq and some might be inclined to mark that clash as a sign that Germany and the United States were beginning to part ways in both their policies and their perspectives.

But clashes were and are nothing new in German-American relations as it had been through others in the Cold War period. Policies and people struggling with the choices and decisions often saw different routes even if the goals were shared.

Pick your year, pick your chancellor, and pick your president:

- August 1961, when the Berlin Wall went up. President Kennedy and Adenauer argued about what to do about it but Kennedy became a hero in Germany a short time later with his famous "Ich bin ein Berliner" speech.

- In 1973, the Yom Kippur War in the Middle East caused President Richard Nixon and Chancellor Willy Brandt to trade barbs over Germany's refusal to allow Bremerhaven to be used to transport arms to the Middle East; Henry Kissinger declares 1973 to be the Year of Europe.

- In 1982 the heated debate over the double track decision resulted in Helmut Schmidt losing his job as Chancellor but Helmut Kohl kept U.S.-German relations on track.

- 1990 and the unification of Germany.

- And within the space of two years 2001-2003 Chancellor Schröder's declaration of unlimited solidarity for the U.S. after the 9/11 attacks became replaced by what Condoleezza Rice called a "poisoned relationship" following the invasion of Iraq.

All along the way, we have seen divisions both across the Atlantic as well as within each country when it came to dealing with all these issues and making choices about how to respond.

It is clear that the ways in which Germany and the U.S. need each other in today's world is different than it was twenty years ago in a changed world shaped by complex constraints and related choices. The fact that we have come to a new equation of interests, needs, and perspectives on the many concerns we face today is based on the opportunity we shared in forging both German unification and also on the ways in which we have shared the opportunities and challenges in helping to forge an enlarged and strengthened Europe. Germany's need for the United States remains a multi-dimensional one, reflected in a vast web of security, economic, and political relationships.

Similarly, the U.S. has a set of connections with Germany that is unique among its European neighbors, be it measured in economic interests, the presence of the U.S. military for decades, and a vast array of contacts at all levels of government. The German-American equation is one that reflects as much the domestic political debate about each other as it does the discussion and the dialogue between the two societies. Coming to grips with why these two countries need each other—and explaining it in public—is the responsibility of the respective political leaderships.

It used to be said that pre-1990 Germany was an object of American foreign policy, as a front line state in the Cold War with the largest concentration of American troops in Europe. Since 1990, Germany has been evolving in a direction of being a partner of American foreign policy. The difference is that Germany has become more a leader in partnership with the United States in dealing with a broad agenda of challenges, be they in Europe or well beyond. Leaders can disagree over both the means of solving problems as well as on the problems themselves.

Germany has choices today that it did not have during the Cold War. While Germany has chosen to remain the third strongest source of support for ISAF today in Afghanistan, which is its first military engagement outside of Europe since 1945, the choice to say no to participation in the 2003 Iraq war was seen as the prerogative of a sovereign country. In the wake of the bond between West Germany and the U.S. throughout the Cold War, the clash of that choice with the Bush administration's decision was portrayed

as a dramatic break in relations between Berlin and Washington. Yet, almost seven years later, there remains a vast web of connections between Germany and the United States, given the shared stake in a broad range of issues and interests. Some of that web goes back decades, made up of basing rights, sharing of intelligence, support for multilateral institutions, and shared trade and investment advantages which provide a platform on which policy differences can be managed.

Germany's relations with the United States in the coming years will be driven by a similar mix of factors shaping the larger framework of EU-U.S. relations. Relations with Russia in a post Soviet era will not be shaped by the same agenda as during the Cold War. Part of that has to do with different webs of interdependence when it comes to energy policies or trade relations. But part of it has to do with the changed nature of threats since the end of the Soviet Union.

Germany today is able to make choices that do not follow the same script of two decades ago. While the main tools of Germany's reintegration into Europe following World War II were the European Community and NATO, the post Cold War Germany today is more inclined to pursue its own interests, be they economic or political. A recent example of that is the German Constitutional Court's decision on the Lisbon Treaty, suggesting that it may not be in line with the German Constitution.

The track record is again a good one. But we do not want to take it for granted. There were always points along the way in which there was need for compromise and sometimes for arguing things out loud. Half the way toward solving a problem together is agreeing on what the problem is. The other half is sorting out what to do about it. As long as we believe that we have an interest in both ends of that process, there will be a basis of a strong bond. When we lose that basis, when the conflicts become hostage to personal or domestic politics, the challenge of keeping a balance becomes harder

Conclusion

The last twenty years throughout Europe saw the borders of the East-West division of the Cold War become bridges among the old and new members of both the EU and NATO. And all of that was in no small measure a product of a strong transatlantic relationship, defined by intensive economic ties, shared challenges like climate change and terrorist threats, and a commitment to a set of institutions that reflect shared principles and purposes.

Still, the fact remains that the transatlantic relationship has been evolving over the last few decades in ways that require both sides of the equation to revise how we need each other. Where there was once more dependence there is now more autonomy. Where there was once more asymmetry there is now more equity. Within the larger global framework of those relations, there is a transformation in the equation of wealth and power and the rise of new and powerful players on the stage. Everyone speaks of China and India, but we are also seeing the increasing importance of countries like Indonesia, Turkey, Brazil, and Iran. We all talk of climate change, but there are other challenges such as the supplies of food and water amidst explosive population growth in some areas of the world matched by a decline in population in others. In the coming decades, the youngest countries in the world will be south of the equator, and with that will come demands for jobs, expanding urbanization, and a lot of room for conflicts over resources. Thirty years ago, a quarter of the world's population lived in Europe, Japan, the U.S., Canada, Australia, and New Zealand. In another fifteen years, that figure will be closer to 12 percent.

The challenge we face is not to define these developments as a decline in the importance of transatlantic relations but rather to define them as ever-more embedded in an expanding set of influences on our decisions. The mega trends we see coming today are all interconnected: Supporting economic growth while preventing further global warming, developing new sources of energy to improve our common security by making the future full of stakeholders.

What does this suggest for the future of transatlantic relations? It does not mean that the shift to a global

agenda diminishes the relationship. Given the vast web of interdependencies which marks it, they are indispensable to both sides of the Atlantic, whether the measurement be economic, or in terms of shared challenges to both interests and values. Yet that same interdependence brings with it clashes over means to meet challenges and even sometimes over the goals themselves. Much of this is driven by the complexity of our respective domestic political debates, which are impacted by the vast degree of interdependence shared across the Atlantic. Examples are many: the responses to the financial crisis last year brought to the surface different emphases on how to deal with inflation, regulatory regimes, and the temptations of protectionist measures. In the wake of the Copenhagen Climate conference, there is transatlantic frustration over how to reach an accord on climate policy. Despite the commitment President Obama has made to climate change and energy efficiency, there is disappointment in Europe that the process in Washington is not proceeding with the same targets. Additional tensions have riddled the effort to deal with the difficult choices and trade offs in Afghanistan and Pakistan, whose instability represent threats not only in the region but to transatlantic security as well. Washington has been disappointed with the limitations of European allies to engage their resources in these two nations so much at risk.

Another sore spot in the transatlantic relationship remains an effective strategy to deal with Russia. Here we see the competing concerns and interests across the Atlantic, as well as within the European Union, preventing a coherent response to Russian efforts to assert its interests and demonstrate its use of power to pursue them. While Obama's efforts to seek out a new dialogue with Moscow were welcomed in Europe at the beginning, there remain doubts about the outcome, perhaps demonstrated by the concerns over the decision by President Obama to change course with regard to missile defense. As the old saying goes, where you stand is where you sit and the view of many eastern Europeans differs from those who sit not as closely to Russia. What Washington saw as a better way to contain Iran was seen by others in Europe as a worse way to contain Russian ambitions.

And then there is disagreement over the future of

Turkey as seen from Washington and parts of Europe. We see a clash of interests over both means and ends for Turkey's membership in the European Union.

As has been made clear by the first decade of the twenty-first century, the agenda for both sides of the Atlantic has evolved to a global level, and we are finding that our capacity to respond is in some ways hindered by the more slowly evolving institutions and mechanisms that served us so well in the decades earlier.

Yet there is important continuity as well. Our security remains collective, our economic interests intricately intertwined, our commitment to the vast network of Euro-Atlantic institutions intact. There is also a shared sense of purpose to extend the achievements of the European Union as one of the greatest accomplishments in world history in securing democracy and stability across the continent that was so long a theater of war. The evolution of the path has demonstrated how states can share democratic governance, enhance markets, and secure their ability to overcome conflicts; it stands as a model and magnet for many others who stand at the door wishing to become part of that great experiment. If that sounds familiar it may be because that this can be found in another narrative—that of the United States as it evolved during the past almost two and a half centuries. The United States also saw itself as a great experiment in democracy, overcoming the past burdens of war and creating a new platform for those who wished to join. While the United States is not entertaining bids from other countries to become states of the union, the European Union is. And in doing so, it is contributing to the stability of Europe in an important way by setting standards for that membership and challenging countries to measure up.

The attraction of the transatlantic community, whether it is marked by alliances such as NATO, by the European Union, or the vast web of our economic and social ties has been demonstrated in our ability to remove barriers to each other while building bridges to others. That will always be a work in progress but we have come a long way in a relatively short period of time.

Forty-seven years from the time he spoke the

following words, President John F. Kennedy would be perhaps proud that his encouragement then has been echoed by one of his predecessors in the White House today. In 1962, Kennedy spoke of the spirit of transatlantic interdependence and he described in words that are as relevant today as they were then:

"That spirit of interdependence is today most clearly seen across the Atlantic Ocean. The nations of Western Europe, long divided by feuds far more bitter than any which existed among the 13 colonies, are today joining together, seeking, as our forefathers sought, to find freedom in diversity and in unity, strength.

The United States looks on this vast new enterprise with hope and admiration. We do not regard a strong and united Europe as a rival but as a partner. We believe that a united Europe will be capable of playing a greater role in common defense; of responding more generously to the needs of poorer nations; and of joining with the United States and others in lowering trade barriers, resolving problems of commerce, commodities, and currency, and developing coordinated policies in all economic, political, and diplomatic areas. We see in such a Europe a partner with whom we can work on a basis of full equality in all the great and burdensome tasks of building and defending a community of free nations.

It would be premature at this time to do more than indicate the high regard with which we view the formation of this partnership. The first order of business is for our European friends to go forward in forming the more perfect union which will someday make this partnership possible.

A great new edifice is not built overnight. It was eleven years from the Declaration of Independence to the writing of the Constitution. The construction of workable federal institutions required still another generation. The greatest works of our Nation's founders lay not in documents and declarations, but in creative, determined action. The building of the new house of Europe has followed the same practical, purposeful course. Building the Atlantic partnership now will not be easily or cheaply finished.

But I will say here and now, on this Day of

Independence, that the United States will be ready for a Declaration of Interdependence, that we will be prepared to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership, a mutually beneficial partnership between the new union now emerging in Europe and the old American Union founded here 175 years ago.

Acting on our own, by ourselves, we cannot establish justice throughout the world; we cannot insure its domestic tranquility, or provide for its common defense, or promote its general welfare, or secure the blessings of liberty to ourselves and our posterity. But joined with other free nations, we can do all this and more. We can assist the developing nations to throw off the yoke of poverty. We can balance our worldwide trade and payments at the highest possible level of growth. We can mount a deterrent powerful enough to deter any aggression. And ultimately we can help to achieve a world of law and free choice, banishing the world of war and coercion.

For the Atlantic partnership of which I speak would not look inward only, preoccupied with its own welfare and advancement. It must look outward to cooperate with all nations in meeting their common concern. It would serve as a nucleus for the eventual union of all free men—those who are now free and those who are vowing that some day they will be free.”⁴

The future of the transatlantic relationship will be increasingly shaped by the global challenges emerging during the coming decade. It will be, as Kennedy suggested, of critical importance that the United States and Europe find more effective means and institutions which both can avoid the centrifugal pull of inward looking interests and processes. As the European Union continues on its path toward a more integrated set of policies and processes, it will be necessary for the United States to maintain an intense dialogue with Brussels as well as the members represented there. As the United States continues to forge its decision and policies with a global outlook on its interests and goals, it will be vital for the European Union to be in close coordination with Washington.

That two-way dialogue will be based on both the

broad and deep set of linkages reflecting shared interests and goals. We are connected in a network of interdependence not only with each other but within a global framework, in which the principles of mutual security, democratic rights, an open but regulated market, and justice need to be protected and pursued.

The United States must continue to work with the network of its transatlantic partners, be they in Brussels, Berlin, or elsewhere in the European Union to achieve these goals. This will be a challenging task as it has been in the past.

But President Kennedy's call for a declaration of interdependence still suggests today that there are few if any real alternatives to this challenge.

NOTES

1 Leslie Gelb, *Power Rules* (New York: Harper Collins, 2009): 115.

2 John F. Kennedy, Commencement Address at American University, Washington, D.C., 10 June 1963, <<http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/JFK/003POF03AmericanUniversity06101963.htm>>.

3 Fared Zakaria, *The Post-American World* (New York: W.W. Norton & Company, 2008).

4 John F. Kennedy, Address at Independence Hall, Philadelphia, PA, 4 July 1963, <<http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/JFK/003POF03IndependenceHall07041962.htm>>.



GERMANY 2020 -
EUROPE 2020

02

GERMANY 2020 - EUROPE 2020

JAN TECHAU

Germany

When asked to provide a glimpse into the future of Germany, one must not start with cozy, comforting banalities. The fundamental pillars of Germany's postwar and post-unification order will be challenged over the next ten years, making the Federal Republic of 2020 look significantly different from the one today. First, Germany's economic model, a free market system accompanied by a highly developed system of social transfers and regulations, will prove to be insufficiently flexible and unsustainable and will thus be significantly altered. Second, Germany's role as a reluctant player on the world stage, resulting from post-Holocaust self-restriction and western re-education, will be abandoned in favor of an unenthusiastically embraced leadership role in the European Union and a more pro-active national stance.

Both changes will come at a price. Internal political debate in both fields will be fierce and bitter. A new political landscape, signified most visibly in the emergence of a new power balance among political parties (and maybe even by the emergence of new ones) will emerge. The domestic political culture, so far shaped by a yearning for political harmony and consensus politics, will become more contentious and uncivil. Germany's firmly established and highly sophisticated democratic system will remain safely in place, of course, but still, Germany 2020 will be a much less cozy place politically. But, if the opportunities buried in this tremendous pile of problems will be seized, it will also be a place that can look with some confidence into the future.

Let's start the journey with a short glimpse at the economy, then continue with a more thorough look at

German parties, that bedrock of the political system, and conclude with a broader analysis of foreign policy trends that will shape Germany 2020.

1. AT THE ECONOMIC CROSSROADS

Political, not economic, considerations are the centerpiece of this essay. But given the utter centrality of economics in the development of any political environment, let's have a short look at a few basic economic aspects of Germany's development until 2020.

Initially, Germany's economic outlook for the next ten years looks quite promising. Its reliance on the manufacturing and export of high end industrial machinery, motor vehicles, and pharmaceuticals has proven to be surprisingly resilient during the financial and economic crisis that was triggered in the summer of 2008. Unemployment has remained surprisingly low, and Germany's social systems, working as a built-in stimulus package, served as a buffer against the most severe effects of the recession that followed the crisis, e.g., by keeping domestic demand relatively stable. Although this system maintains a high degree of social stability, it comes at a considerable cost as it increases public debt levels and thus the budgetary crisis the country finds itself in. The 2008/09 economic and financial crisis will likely be the last major economic fallout that can be countered by large-scale fiscal state intervention. Any similar economic crisis in the future will be met with considerably less robust government activity. The coffers are empty and the ability to go into further debt is very limited.

Although the country had to cede the unofficial title of world export champion to China a while ago, its products will remain in high demand as globalization progresses and the emerging economies invest heavily in the modernization of their industries. In fact, much of the most sought after German export goods are the very ingredients these countries need to phase their economies into the highly integrated global supply chains. With Germany's innovative forces running strong in these sectors, this is unlikely to change.

Furthermore, Germany is well-positioned to play a leading role in (and thus profit economically from) the emerging green industrial revolution. Germany is one of the global leaders in eco-friendly technologies, and will thus be providing the world with the very equipment needed to make the Green New Deal a reality. Demand for these products will be increasing significantly over the next ten years (and thereafter), thereby further solidifying Germany's already strong export orientation. Whether the green transformation of the economy and the selling of green technologies can make up for the inevitable decrease in German automotive exports remains to be seen.

The German economy is currently suffering from a number of structural weaknesses that have led to a relative underperformance in terms of growth and productivity in recent decades (although it must be stated that German companies used the economic downswing in the years following the millennium to markedly improve productivity. Still, in long-term comparisons, Europeans, and among them Germans, have systematically lost their edge when compared to U.S. productivity per capita). Among these weaknesses feature an increasingly alarming lack of skilled labor, the overregulation of the labor market (which keeps companies from creating jobs more easily), a generally shrinking work force, the absence of a regular low-income tier in the economy (creating a sizable black market in low-skilled jobs), and an over-the-top bureaucracy that serves as a counter-incentive for start-up businesses. Add to this the generally shrinking work force (caused by poor demographics), under-average employment of women, a risk averse banking sector, and the still relatively high tax burden (even though Germany has successfully lowered taxes for businesses and is currently ranked mid-field

among the EU 27 for business-related taxes), and a picture emerges of a country in dire need of economic reform. The consultancy McKinsey estimates that if Germany manages to only return to the average pre-crisis annual growth rate of 1.7 percent, Germany will become a less attractive business location and will run into severe difficulties financing its welfare state.¹ According to the study, 3 percent annual growth will be required to keep Germany on par with its European competitors, a rate that is achievable only by increasing productivity and fostering innovation and the liberalization of economic framework conditions.² Other studies come to basically the same conclusions.³

Germany's weight as a political player within the EU and, to a lesser extent, in the United Nations will depend on its economic performance. Its ability to contribute to international problem-solving, not least as a provider of money, troops, and material to NATO, EU, and UN military missions, is a direct derivative of its prosperity. Furthermore, the survival of Germany's much talked-about "*sozialer Frieden*" (i.e., a peaceful cohesive society free from unhealthy levels of political and economic infighting) will depend on the generation of enough wealth to satisfy high expectations from pensioners, students, families, and state employees. In the coming ten years, reforms of unprecedented scale in Germany's postwar history will have to be implemented. All of this will have to happen before the backdrop of a highly indebted state that will have little creative wiggle room for investments or for pacifying hand-outs to opinion-making segments of society.

In conclusion, in 2010, Germany finds itself at the crossroads. The combination of the above mentioned structural problems, a deep recession, and a worldwide trend to embark on a green industrial revolution give the country a unique opportunity to re-invent itself as an economic power-house. In some fields, priceless time has already been wasted; in others, the revolution is only just beginning. In theory, Germany should be well-equipped to make itself over as a business and economic leader of the next thirty years. In practice, that rarest of commodities, strong political leadership, will be in high demand to overcome the powerful, status quo-oriented political forces that keep the country from developing a future-

oriented agenda.

2. THE EMERGENCE OF A NEW PARTY SYSTEM

Almost all observers of the 2009 parliamentary elections in Germany agree: the election results have ushered in a new era of party politics in Germany. Even though the governing coalition of Conservatives (CDU, CSU) and Free Democrats (FDP) looks just as if the good old days of the *Bonner Republik* have returned, the underlying mechanics of the party system point in a different direction. In a parliamentary system like Germany's, the setup of the party system and the social fault lines determining that setup are one of the most important questions for anyone interested in politics. This is why much crystal ball reading is undertaken to figure out what lies ahead. By and large, there are two likely scenarios for 2020. They are both very different, but they do share one common basic assumption: that parties will continue to matter and that they will not be replaced by some mysterious system of governance-by-internet based on yet unseen forms of allocation of power. To be sure, the ongoing revolution in information technologies will deeply impact politics and parties. But parties will remain crucial in the German political system for two main reasons: (1) They are indispensable to translate accumulated ideas into policy and then into political action. No virtual political space can do this, although that space will be intensively used by parties all along the assembly line of politics. (2) The requirements of a parliamentary system give parties a systemic importance for the proper functioning of government. A parliamentary system relies on stable majorities in parliament. For stable majorities you need parliamentary groups (*Fraktionen*). And for *Fraktionen* you need parties. It is really quite as simple as that. Therefore, it is a great misunderstanding about the nature of the parliamentary system when economists, pundits, populists, or journalists complain about how parties have hijacked the political system, or when they predict the imminent demise of political parties as we know them. There might be new parties emerging, even very different ones. But parties they will be.

Here are the two scenarios for party politics in 2020:

The two and a half blocks scenario

In this scenario, both the center-right (CDU, CSU, FDP) and the center-left (SPD, *Die Linke*) political blocks consolidate as more or less permanent alliances along a classical ideological left/right dividing line. They are about equally strong, with a slight advantage for the center-right. The kingmaker in this scenario will be the Green Party which forms a flexible half-block ideologically located between the other two.

This scenario rests on several simultaneous developments in the German political party setup:

- The shrinking of both the SPD and the CDU/CSU's core constituencies comes to a halt and levels out somewhere 25 and 35 percent of the vote. They are still the largest parties around but will not get anywhere near their old results around or even above 40 percent. In order to gain back their capacity to form majority coalitions, both parties will go to great lengths to permanently tie the junior partners in their respective ideological camp to them. The junior partners (FDP and *Die Linke*, respectively) have very little choice to go elsewhere and reluctantly accept this permanent marriage. Both marriages are not free of strains but remain stable, if only out of a lack of alternatives.

- The Green Party manages to stabilize its unique strategic posture by keeping alive the inner-party coalition between the alternative, left-leaning, environmentalist wing (the idealist Greens) with the career-oriented, gentrified urban elite wing (the lifestyle Greens). The binding force between the two is the idea of a green economy, which successfully harmonizes economic entrepreneurship with ecological concerns. This specific setup will make the party less left-leaning but not less green. It enables the party to form governing coalitions with both blocks, thereby assuming the strategic king-making position. The party represents the new mainstream culture of an educated middle class: not socially conservative, environmentally concerned, business-friendly, internationally minded, status-aware.

■ The SPD, in its struggle to re-embrace its lost left wing (i.e., *Die Linke*), abandons much of the center ground it once covered, thereby permanently reducing its chances to gain results near or above the 30 percent threshold. The SPD loses its appeal as the natural and only coalition partner for the Green Party.

■ The Free Democrats (FDP) will remain strong between 10 and 15 percent of the vote, but the party's only chance to be part of the government is in combination with the CDU. The party has successfully marginalized its left-leaning wing by embracing a more "bürgerlich" (middle class) approach on education and foreign policy while retaining its more classical approach to the economy, taxation, and civil rights. Tinkering with the idea of abandoning the center-right camp in favor of the SPD becomes anathema within the party for fear of once more being accused of opportunistic flip-flopping.

This scenario rests on the assumption that the core ideologies of the classic conservative and left-wing movements will remain potent political forces, even if only in watered-down versions. The middle ground between the two camps will not be occupied by the Free Democrats, as it once was during West Germany's three party setup, but by a Green Party that has largely emancipated itself from left-wing romanticism while not entirely shedding its alternative image.

As it rests on traditional political orientations and is equipped with a limited number of parties, this scenario is one of relative stability. Under this scenario, German governing coalitions will be relatively long-lived, though not at the scale known during the three party period. The relatively weaker binding power of political ideologies will make voters more fickle and, consequently, coalitions less durable than in the 1960s and 1970s.

The free-range chicken scenario

This scenario envisions a highly volatile setup of medium to small scale political parties with limited ideological binding power and a high degree of flexibility in forming short-lived coalitions. Nearly all parties are free to temporarily form alliances with any other party. The following developments will lead to this constellation:

■ The SPD fails to accomplish a full-scale rapprochement with *Die Linke*. Instead of creating the permanent alliance mentioned in the first scenario, co-operation between the two remains irregular and strained by principal differences over social transfer legislation (Hartz IV reforms) and German military deployments abroad. Also, doubts about *Die Linke's* honest approach to its own past will continue to irritate Social Democrats and hinder a more comprehensive joining of forces.

■ *Die Linke* benefits significantly from a widening gap between lower and middle classes, with the lower classes increasingly preferring its more pure-bred leftist ideology over the moderate leftism of the SPD. *Die Linke* will secure a steady support of around 15 percent but will continue to have a limited impact on the federal level, as it finds it difficult to find coalition partners outside the SPD.

■ The SPD somewhat succeeds in redefining moderate leftism in order to make it appealing for the disappointed voters in the center of the political spectrum. The party stabilizes at around 25 percent of the vote, with a slightly upward tendency. Still, this moderate recovery can prevent the party from losing the ability to form left-leaning coalitions with only one other partner. In order to keep its chances to enter into a governing coalition, the party must keep itself ideologically open, thereby losing much of its profile.

■ Coalitions between the CDU/CSU and the Green Party become a viable option on the federal level. The unavoidable loss of ideological poignancy affects the conservative parties as well, but being traditionally less ideological at their core, this loss does not create a downward spiral similar to that of the SPD.

■ The FDP manages to avoid the permanent embrace

of the CDU and keeps its coalition options open to every party except *Die Linke*. The party manages to shed the image of a market-liberal single-issue party by successfully using its post-2009 stint in government to create a more versatile portfolio.

This scenario rests on the assumption that ideologies will lose much of their appeal to voters in general. A big exception will be *Die Linke*, which successfully manages to recruit as voters a large chunk of the socially immobile “losers of globalization.” The result will be a party system based not on established political camps but on more temporary alliances built around pragmatic agendas. Governments will not hold office for protracted periods of time; the entire political market will be substantially more volatile.

This scenario would constitute a major shift in the political culture of Germany. It would stimulate a new form of political competition with parties losing some of their ability to offer a political “home” to people. As a consequence, the personalization of politics would be becoming more important over the next ten years, albeit within the limits of the parliamentary system.

Wild Cards

The two scenarios mentioned above are based on tendencies in the German party system that are already visible and can be extrapolated to a certain extent. No scenario, however, can account for so-called wild cards, i.e., sudden events with the power to unexpectedly alter the course of events substantially. One wild card for the development until 2020 is the remote possibility of the emergence of a more meaningful European party system. So far, this is not happening as there are few incentives for parties to create pan-European agendas, nominate candidates that transcend national limits, and invest in cross-boundary campaigns. But the Lisbon Treaty provides for a few mechanisms fostering the development of a pan-European polity, most importantly the possibility for a cross-national group of at least one million EU citizens to force a petition to initiate legislation (*Bürgerbegehren*). Should this tool be used with some frequency, parties in Europe will realize that there are votes to be won and causes to be fostered by working across border lines. This realization could be the nucleus of a truly European party system,

where conservative, liberal, green, and social democratic party families turn their existing but rather loosely organized organizations into operational entities. Parties, with their unfailing instinct about where power is to be obtained, would quickly react to the new realities, thereby transforming national party systems from within in the long run. Granted, this is a long shot, but it is not entirely impossible. But the next decade will show whether this kind of development is in the books at all.

Another wild card is the subsequent falling apart of the SPD and/or the CDU. As the decline of their share of the vote has been overly clear during the last decade, many observers have predicted the eventual downfall of *Volksparteien* altogether.⁴ As the electorate develops from relative homogeneity and cohesiveness to fragmentation and individualization, the former catch-all parties, reliant on wide-spread appeal to moderately diverse groupings, must necessarily become weaker and fail. Part of it is true, and it is one of the assumptions on which the above scenarios rest. The answer of both parties to this seemingly unstoppable trend has been the shedding of much of their respective ideologies, thereby making them less objectionable but also less distinguishable. For neither of the two parties has this strategy born much fruit. The Social Democrats, however, have suffered far more from this inner emptiness. Its identity depends much more on an intact ideological core than that of the arch-pragmatist and much more loosely organized CDU. Also, the SPD has proven twice already that it is incapable of keeping its left-wing on board in times of crisis (In the late 1970s, alternative left-wingers branched off and successfully started the Green Party; in the post-unification era, the SPD lost its left fringe to the post-communist PDS, now *Die Linke*). Cases can be made that traditional *Volksparteien* will become obsolete by getting downsized to small-party status, or by falling apart as the adhesive power wanes that once kept their colorful inner-party coalitions together. However, the German party system is very innovation averse, having produced only two viable new parties over the last sixty years (Greens and *Linke*), one of which was not a real new creation but the re-labeled continuation of the former ruling party of communist East Germany. The German electoral system, despite being based on proportional representation, poses a formidable

hurdle for new political movements to develop into full-fledged parties. The leveling force of this system will most likely prevent a full-fledged implosion of the two big ones over the next ten years. But weaker they will be, and the above scenarios show how this fact alone will change the political landscape.

3. THE GROWING-UP OF GERMAN FOREIGN POLICY

Continuity and Paralysis

Germany's postwar foreign policy has been much analyzed and described, ranging from the self-restraint of the founders of Federal Republic ("never again, never alone"), to re-armament and the gain of partial sovereignty in the Cold War, to Franco-German friendship, to Germany's key role in European integration. Post-unification foreign policy can be characterized by a unique *mélange* of (1) continuity, (2) navel-gazing, and (3) new assertiveness. While the old consensus of self-restraint, resting on a three-plus-three pillar structure (firm embeddedness in three multilateral frameworks, i.e., the EU, NATO, and the UN plus three special bilateral relationships with France, the United States, and Russia), still holds, the newly unified Germany embarked on a prolonged period of soul-searching and self-centeredness following unification in 1990, a process still unfinished. Following Chancellor Gerhard Schröder taking office in 1998, a new assertiveness of the fully sovereign nation became a factor in German foreign policy, illustrated best by the forceful opposition to the U.S. policy on Iraq. In a unique German twist, this new assertiveness did not mean the ushering in of a more pro-active, globally-oriented foreign policy (as many European neighbors had secretly feared), but rather the opposite: a pronounced tendency to abstain from an international leadership role, symbolized best by the continued reluctance to deploy forces abroad, to meaningfully develop the EU's Common Security and Defense Policy (CFSP), and to strategically reform NATO. Furthermore, the country has failed, even twenty years after the end of the Cold War, to develop a strategic culture with the capacity to ponder the long-term geopolitical interests of the nation and to translate them into a publicly accepted discourse.

Continuity, navel-gazing, and assertiveness, however, are in permanent conflict with the increasing demand for German contributions to international problem-solving. Beginning in 1993 with the out-of-area mission in Somalia, and culminating in German combat deployments for Kosovo (1999) and Afghanistan (2002), Germany's self perception as a civilian power abstaining from the nasty business of robust intervention has been steadily undermined. While the large majority of German citizens remains attached to quasi-pacifist convictions and remains skeptical of any kind of increased German military engagement, successive governments have (albeit reluctantly) steadily expanded Germany's military role, though carefully embedded within multilateral frameworks such as NATO and the UN. The same political elite, however, fearing the potential political fallout, carefully avoids any kind of public debate on Germany's role in the world (this is especially remarkable given the long-standing government aspiration to secure a permanent German seat on the UN Security Council). The result is a widening gap between public perceptions, government policies, and the necessities of a globalized world. Even worse, this lack of leadership, strategic thinking, and open discourse at home has the potential to lead the country into foreign policy paralysis. A population unprepared for and uneducated about twenty-first century foreign policy imperatives will not give the necessary political leeway to its government for respective policies if needs be. Germany's reluctance in Afghanistan, in both word (avoiding the term "war" when referring to Afghanistan until very recently) and deed (still insisting on German caveats for its troops on the ground) can be at least partially explained by this paralyzing mechanism. In short: Germany's current foreign policy posture is outdated and will increasingly clash with the realities of world politics in the coming years. Over the next ten years, German foreign policy will undergo a dramatic coming-of-age process in order to catch up with realities. This process will most likely be induced not by firm political leadership but by sheer necessity. Here are the issues that will let Germany grow up internationally—whether it likes it or not:

■ *How America's Relative Decline will Change German Foreign Policy*

When reduced to its very core, Germany's security

still depends on the United States. It is the U.S. nuclear umbrella that keeps Europe free from political and economic blackmail by a resurgent Russia that would doubtlessly use these tools if it could back them up with a credible military threat. And it is America's worldwide services as power of last resort that provide the very stability and openness of markets that Germany relies on both as an export-driven economy and as a country dependent on imports to obtain raw materials, especially energy. In a comprehensive post World War II bargain, Western European nations outsourced its security to the United States. The U.S. in turn received a major stake (i.e., a *de facto* veto) in inner-European affairs, primarily through NATO. Initially, even the European integration process was politically and financially underwritten by the United States.⁵ Part of the big bargain was that huge assets which would otherwise have been earmarked for security-related spending were now free to be invested in the development of the European welfare state.

The relative decline of the United States will bring this deal to an end after fifty years. The U.S. will not be able and/or willing to provide the stabilizing services as freely as it used to, and it is seriously considering reducing its conventional nuclear footprint in Europe. In other words, Europe and Germany will have to learn to provide more for their own security. The U.S. will not disappear, but its willingness to let others free ride on its military capabilities is already weakened and will further decrease. Already Germany is asked to provide more strategic assets to international security theaters, with Afghanistan and the anti-piracy mission at the Horn of Africa being only two examples. Also the EU has for some time been working to make its foreign and security policy robust, and Germany will be one of the foremost providers of money and personnel to its infrastructure and assets. Both the EU and Germany individually will painfully experience what it means to have less America around. In the post Pax Americana period, the need for stability, security guarantees, and hard power as a back-up for diplomacy will not diminish, quite to the contrary. So sheer necessity will lead to a steep learning curve for Germany's political elite and its citizens. At the core of this process will be three questions: What role do we want to play? What are the right channels for that new involvement (e.g.,

NATO or the EU)? How much do we want to spend on it? And what kind of relationship with the U.S. will grow from our newly robust role? The third question is enormously important as it points to the political and intellectual effects a new German role will bring. If we contribute more, how can we secure influence on the mission in question? Are we intellectually prepared to feed the necessary ideas into common strategic endeavors? The current debates on Afghanistan and the new Strategic Concept for NATO, both of which are showcases for German intellectual passivity, are but a foretaste of the painful initiation process Germany will have to undergo in the next decade.

■ *How Afghanistan will make Germans Re-Embrace the National Interest*

For at least the first half of the next decade, Afghanistan will remain a centerpiece of German foreign policy and security considerations. Ever since the commencement of German political, development, and military engagement at the Hindu Kush, the concept of national interest has been at the heart of the debate about whether interfering in a faraway country's affairs is a wise thing to do. Those defending the engagement have invoked Germany's national interest by explaining, rather ingeniously, that German security would also be defended at the Hindu Kush.⁶ Those opposed to Germany's participation equally relied on national interests for their argument by claiming that Germany had no business at all out there,⁷ sometimes reinforced by the not-so-subtle indication that Germany should not make itself the hapless henchman of American war mongering.

The dominance of the national interest in the Afghanistan debate is indicative of initial changes in the still rather underdeveloped German strategic debate. When formerly it was in the German national interest not to speak about the German national interest,⁸ this taboo now seems to be fading away. It will be entirely gone in ten years. Slowly but surely, Germans re-embrace the vocabulary that was once deemed contaminated and ill-suited for usage by a German. Within the next ten years, German pundits and the public will accomplish what seemed impossible only a few years ago: to speak about concepts such as power, geopolitics, interests, and strategy in an enlightened, neutral, and strictly analytical manner,

free of any jingoistic undertones, but equally free of any false political correctness.

In 2020, Germans will not only have learned that they do have national interests, and that this does not make them less pure of a people. They will also have learned that these interests are constantly being defined and redefined in the marketplace of ideas. As commonsensical as this might sound, it will constitute a significant change in the country's political culture. But not only will the debate be more free and more open. This change also means that politics and policies will change, and that Germany's international partners can expect the country to play a more intellectually stimulating role in multilateral negotiations. Germany's much-criticized lack of strategic contributions in such rounds is in no small part due to the lack of an appropriate language. Finally, embracing much-neglected concepts and terms will change the domestic debate in both style and content. Foreign policy will turn from a field dominated by widespread cross-party consensus into a hotly contested political battlefield. The democratic marketplace of ideas will finally be expanded to foreign policy. Even though this will certainly make the debate more difficult, it will in the end benefit a society that will be asked to contribute its money and people to problems around the globe. Even if the German engagement in Afghanistan will not accomplish much, it will at least accomplish this profound change (and, if I may say, progress) in our democratic culture.

■ *How the Turkish EU Bid Will Redefine German Foreign Policy*

At some point within the next ten years, German politicians and the public will most likely be asked to make a decision on one of the most strategically important questions of our time: whether Turkey should be accepted as a full member of the European Union. The answer Germans give to this question will be indicative of two things, both of which are of utter importance for Germany's future as a player on the international stage: first, whether strategic considerations stand a chance against arguments of identity, religion, and ethnicity. Second, whether the inward-looking approach toward the EU will carry the day against the outward-looking approach. There is no doubt among strategic thinkers in Europe and else-

where that taking Turkey in is an unavoidable step if the EU aspires to turn itself into a global player.⁹ Turkey will be key in the EU's strategy to pacify its immediate neighborhood and play a more constructive role in the Middle East, as well as in the great game over energy resources. By geopolitical default, Turkey's membership would make the EU a player in issues involving Syria, Iran, Iraq, and the Caucasus region. Furthermore, the EU cannot afford for Turkey to lose track on its modernization and democratization process. And finally, the EU also needs Turkey as a reservoir for the much-needed young work force most EU member states lack.

Still, the German people are not convinced. A large majority has consistently been opposed to Turkey joining the EU. The figures do not look much better in other major European nations.¹⁰

Based on these figures that cannot be easily ignored by political leaders anywhere, chances are slim that Turkey will be warmly embraced by most of the EU's member states. Overcoming these numbers can only be achieved by fearless leadership. The Turkey issue will either create this leadership or it will break a unified Europe's global ambitions. What would certainly help to avoid such defeat would be some goodwill on behalf of Ankara to resolve some of the substantial technical issues in the accession talks. Some of them clearly depend not on the EU's but on Turkey's willingness to embrace pragmatist politics, the Cyprus issue being one of them.¹¹

As the Turkey issue is one of the few issues outside the overarching general foreign policy consensus among German mainstream political parties, it will be the litmus test for a new German foreign policy. It will decide which German political force can frame the strategic debate in Germany. It will set the tone for this debate, thereby wielding significant influence over the way Germans will look at and talk about the world. Given the overall public hostility to the idea, this will not be an easy task for any political party. The party that first offers a viable position incorporating (a) the strategic necessity of Turkish accession, (b) measures to alleviate public fears, and (c) practical solutions for the huge pre- and post-accession challenges to the inner workings of the EU will likely dominate Germany's new foreign policy discourse.

Not a small prize to be won by tackling one of the most contentious foreign policy issues on the German plate.

■ *How NATO's Future Will Be Germany's Future*

In the summer of 2009, NATO started the process of writing a new strategic concept for the alliance. The news on Germany's role in this process is not encouraging. Both in NATO's headquarters in Brussels and in the so-called wisemen group tasked with preparing a first draft of the document, German representatives seem to be playing a rather reluctant role. Although Germany spoke out in favor of creating a new document, it now seems that its negotiators try to keep changes in the new draft small, and to block reform both on the technical as on the political level. German NATO officials are quoted as having said that cosmetic changes to NATO's 1999 concept should suffice. With this position, Germany is on the losing side of the argument. Not only does a majority of NATO member governments think differently; the need to reform NATO, to reinstall its sense of purpose, to make its institutional setup more workable, and to make its military assets more usable is overwhelming. But most importantly, by taking a backward-oriented view on NATO's future, Germany is undermining its own political well-being as it puts at risk its reputation as a reliable partner. But for no other NATO partner is an intact reputation as important as it is for Germany.

Even though a document such as the Strategic Concept for NATO should not be overestimated in its capacity to shape actual policy, let alone politics, the German reluctance to embrace a pro-active approach to its drafting is bothersome. "*Westbindung*," i.e., the firm integration of the country into the western family of open, democratic, market-oriented societies, is the single most important element of Germany's post-1945 political order. *Westbindung* paved the path of postwar freedom, peace, and prosperity just as much as it reconciled erstwhile enemies and neighbors with both the old West Germany and the reunified nation after 1990. Germany's membership in NATO is the most important and most visible expression of *Westbindung*. Consequently, Germany's commitment to playing a constructive role inside NATO serves as a compass of the country's overall strategic orienta-

tion. Whenever this commitment seems to be in doubt, Germany's partners and neighbors tend to get nervous.

In the next ten years, the crucial question for NATO will not be Afghanistan. It will be whether the alliance can develop a new vision and a new mission for itself while sticking to its core task, territorial defense of Europe. For territorial defense, it needs to take its new members' concern about a resurgent Russia seriously. For the new vision, it needs to define the alliance's tasks for a world with new conflicts, globally integrated threats, and less America. As a country incapable of guaranteeing its own security, Germany's natural instinct should be to invest as much as possible in equipping NATO with the intellectual and military resources it needs. Germany should be aware of the fact that NATO will inevitably turn into a global tool, dealing with threats to its members' interests, wherever these might occur. It should be aware that its own well being is highly dependent on the solidarity of others. It should be aware of the fact that its good relations with Russia are not deemed a problem by others as long as the commitment to NATO and *Westbindung* is unwavering. And it must realize that the EU's still underdeveloped capacities will for quite some time not be able to supplant the feeling of reassurance that an intact NATO can give. Because the EU can never tie the United States as firmly to the fate of Europe as NATO can.

As pointed out above, much will be asked of Germany as a foreign policy player in the next decade. In the field of security and defense, Germany's best bet to answer the call will be to play a constructive role in NATO.

■ *How Israel Will Turn Germany into a Military Power*

One of the improbable ironies of German postwar history is that the country will learn the grim lesson of military realism from Israel. Germany's historic responsibility for the Holocaust has created a special responsibility for Israel's well-being that all German governments since 1949 have acknowledged. But largely unknown to a wider public is the security guarantee that German chancellor Angela Merkel has twice given to Israel. Speaking to the Knesset in

2008, the chancellor said:

*"Here of all places I want to explicitly stress that every German Government and every German Chancellor before me has shouldered Germany's special historical responsibility for Israel's security. This historical responsibility is part of my country's raison d'être. For me as German Chancellor, therefore, Israel's security will never be open to negotiation. And that being the case, we must do more than pay lip-service to this commitment at this critical point."*¹²

Speaking to a joint session of the United States Congress, Merkel said in the fall of 2009:

*"There must not be a nuclear bomb in the arsenal of an Iranian President who denies the Holocaust, threatens Israel, and rejects its right of existence. The security of Israel is not negotiable for me. However, this threat is not only directed at Israel but at the entire free world. Whoever threatens Israel, threatens us."*¹³

Read together, and despite the subsequent wording on diplomatic solutions and tougher sanctions, these statements make as solid a security guarantee as one can get. It even emulates the provision of Article 5 of the Washington Treaty which stipulates that "an armed attack against one or more of [NATO's member states] in Europe or North America shall be considered an attack against them all [...]"

Most developments in the Middle East suggest that, one day, Germany might be asked to live up to the only security commitment it has ever issued outside NATO. With the endgame on the Iranian nuclear program approaching and with the overall situation in the countries of the Middle East getting worse, it is likely that this moment might well arrive within the coming decade. Even if it does not, the guarantee issued publicly in front of the Israeli parliament and the U.S. Congress cannot be taken lightly by Germany itself. The German chancellor has left it open what that guarantee would mean in concrete terms, but her tough words suggest that military action will not be ruled out if need be. What capabilities does Germany have which could be useful in such a scenario? What role would German troops play, and for how long? What are the contingency plans? How

will this be coordinated with the United States? What will it mean for Germany's own security at home? How will the diplomatic fallout be dealt with? If taken seriously, all these classic questions of warfare (and many more) must be asked by German policymakers, military leaders, and the public. These will be exceptionally tough questions for Germany to ponder. Their concreteness and potential reach go far beyond any of the questions raised on issues such as Afghanistan, NATO, or Turkey. Should the moment of truth come, things will move quickly and questions of war and peace and combat and Germany's role in it will be right in the face of a nation unused and unwilling to even think about them. But the security guarantee given to Israel is also a great opportunity. It is a visible sign of solidarity that most Germans accept (which makes it very different from the commitment for Afghanistan). Where if not here should a learning process about the toughest questions be successful? The sooner this learning process will start, the smoother it will unfold. Again, leadership will be the key prerequisite. The country will be a changed one afterward because it will think about its military responsibilities differently. But that change is unavoidable anyway. However, it's much better to implement change on your own terms than on terms dictated by circumstances.

■ *How an Airstrike Could Change the German Debate Forever*

The five crucial developments mentioned above are included in this analysis because there are strong elements of inevitability in them. In all five cases, German policymakers and the public will be confronted with strong realities that have the potential to substantially change the way Germany will conduct its foreign and security affairs. The wild card in all of them is how German leaders and, more importantly, the German public will deal with these realities. How will issues be debated and how will political leaders communicate many of the difficult truths to a wider audience? How will foreign policy decisions, specifically those that involve questions of hard security, be explained to voters? How will politicians try to secure the necessary public support for these decisions?

German political leaders have a particularly poor track

record of communicating security issues. Ever since the Kosovo War in 1999, consecutive German governments have more or less systematically avoided conveying three core messages to the German people: (1) why waging war is sometimes needed to defend interests and establish peace, (2) how German military deployments (especially the one in Afghanistan) are directly linked to German security interests, and (3) what the real nature of these deployments is and what risks they entail. Believing that the German people have to be protected from disturbing news, and fearing that a widely pacifist constituency could punish them on Election Day, politicians from all parties avoided any meaningful debate on Germany's contributions to the stabilization of an increasingly insecure world. The postwar public taboo on all matters military was not abandoned even when the country was already heavily involved in military engagements far away from home. The result is a political culture of avoidance, strategic naiveté, and self righteous moralizing on hard security matters.¹⁴ Even worse, this politics of avoidance has caused considerable damage to Germany's foreign policy reputation abroad. As the country could not muster the strength to pull its full weight militarily in Afghanistan for fear of domestic political fall-out, it alienated its allies and acquired the reputation of being a fickle and unreliable partner.¹⁵

In the fall of 2009, however, a political scandal emerged that could have the potential to fundamentally alter the way Germany debates these issues. When on 4 September a German military commander in Kunduz, Afghanistan, ordered a U.S. air strike to destroy two fuel trucks and kill the Taliban fighters who had hijacked them, the German government was almost instantaneously subjected to harsh criticism at home for not revealing the full truth about the incident. Now former defense minister Franz-Josef Jung had to leave his new cabinet post for a failure to inform parliament and the public properly while still being in charge of the MOD. His successor, Karl-Theodor zu Guttenberg, had to correct his initial assessment of the incident as more and more facts on the event emerged.¹⁶ The issue quickly developed into a full-fledged political affair of considerable scope. A parliamentary committee of inquiry was established to scrutinize the matter, and Guttenberg introduced a new "culture of openness" in the German Ministry of

Defense.

The technicalities of the affair aside, this issue marks the end of that old-style culture of avoidance. The post-Kosovo approach to security-related communication has failed in a disastrous way. Nothing in the field of security and defense can any longer be communicated as it was done before the affair. The parliamentary inquiry will, for months to come, present to the public the hard facts of the very war fighting Germany is involved in. It will henceforth be impossible to dress up the war in Afghanistan as a more or less humanitarian mission. Furthermore, it will also be impossible in the coming years to avoid the more general political debate on why war is sometimes unavoidable, why Germany should participate in it, what German interests in it might be, and what the price is Germany might be asked to pay for being involved.

On the surface, the inquiry looks like just another routine attempt by the opposition to inflict harm on the government in power. More importantly, however, it will (1) expose to the public Germany's geo-strategic necessities, interests, and responsibilities in an unprecedented openness, and it will (2) make transparent the considerations of German decision-makers. It will thus create the key element that has so far been absent from German foreign policy: a realistic and educated German foreign policy debate. For sure, it will also most likely entail the usual German introspection and a fair amount of denial, but it will, for the first time after the wasted Kosovo opportunity, offer German society a chance to go beyond these worn-out German default positions.

The debate that will follow will not change the country's mentality over night. Initially, it will probably make things even more difficult, and it will certainly not create significantly increased approval ratings for Germany's involvement in the Afghanistan war. But it will mark the beginning of a long-term process that will significantly accelerate the coming-of-age process of Germany as a foreign policy player. Therefore, if accepted as an opportunity, the Kunduz air strikes could well mark the birth date of an emerging public strategic culture in Germany. By 2020 it should be firmly in place.

Europe

The development of the European Union over the next ten years is extremely difficult, if not impossible, to anticipate. The challenges posed to this Union of twenty-seven, however, are abundantly clear. And they are truly enormous. Economic underperformance, demographic decline, the failure of immigration and integration policies across Europe, mediocre schools and universities, a perceived lack of democratic legitimacy of the EU's system of governance, and the lack of foreign policy effectiveness of this club of sovereign nation states—all of these, to name just the most obvious ones, have been analyzed and decried with ample justification. Let's take a look at some of these issues and how they might play out over the coming decade.

1. THE DEMOCRATIZATION OF THE EU – THE POLITICAL DYNAMITE OF TWO NEW TOOLS

When the debate started on what was to become, after many confusions, the Lisbon Treaty, the goal was make the EU more effective, more transparent, and more democratic. The democratic deficit of the EU has long been a thankful subject for concerned citizens, politicians, analysts, and journalists. The Lisbon Treaty has taken a dual approach to tackle the issue. First, it continued the classic strategy of improving democracy by expanding the powers of the European Parliament. Second, it invented the new mechanism of a people's petition, thereby creating the possibility for organized interests to force the European Commission to initiate deliberations on any given issue as long as 1 million people from various member states demand it to do so. Both measures look stale and boring at first glance. But given the fact that there will almost certainly be no new EU Treaty within the next decade, they are the two big measures we will have to work with in the coming years. More importantly, however: do not be mistaken, they are potentially dynamite in the complacent political setup of the EU.

The European Parliament, for the first time, is a legislative body equal in powers with the Council in almost (only almost!) all decision-making processes of the EU. This is an enormous step. Already under the provisions of the Nice Treaty, representatives of

the member states complained about how the Parliament was assuming a powerful position, thereby disturbing the good old intergovernmental method of past. Under Lisbon, Parliament will turn into a real policymaker and a power to reckon with, thereby taking a position roughly similar to that of the U.S. House of Representatives in the American presidential system (but not at all equal to that of legislatures in European parliamentary systems).¹⁷ The results are already visible. As the Parliament has increased its powers, the voting behavior of its members has changes. While during the days of limited parliamentary powers, party lines did not matter much and were largely replaced by the infamous “permanent grand coalition” of socialists and conservatives, voting has become decidedly more partisan over the last few years, indicating a politicalization of the EU Parliament. The phenomenon is curious but not at all unpredictable: as soon as the Parliament really matters in a political sense, political parties will take its deliberations more seriously, seeing to it that party lines will become more pronounced and voting discipline becomes stricter. This changed pattern, which will very likely increase over the next ten years, is the best indicator that parties in the European Parliament take representation of voters interests more serious. Europe's citizens (and many politicians back home in the national capitals) have not yet fully realized the new dynamics. But as soon as the new ways become more apparent in the muscle-flexing of the newly confident Parliament, the European parliamentary process will become much more the subject of meaningful political competition, the very essence of democracy. This might still not be the ideal text book solution to some of the legitimacy problems of the EU, but is a huge step forward. Most importantly, it will set free the dynamics of pan-European political arm wrestling that cannot be squeezed back into the bottle. Governments and parties across Europe will have to adjust, and so will, eventually, the voters. The next ten years will see this process unfold with much force.

This process will be accompanied and reinforced by the newly established European people's petition (*Bürgerbegehren*). The dynamics potentially set free by this new tool have been described above (see the section on the German party system). The combination of *Bürgerbegehren* and extended parliamentary

rights has the potential, in the long run, to alter European politics as we know it. By 2020, we will know whether the newly unleashed forces are strong enough to set this transforming process into motion. Most essentially, we will find out whether the new tools will sow the seeds for the most important prerequisite for that process: a truly politicized European public. If it does, an essential step toward political integration (in addition to the far-progressed economic integration) of Europe has been taken. New steps, by sheer necessity, will then have to follow, including, once more, the required changes of the institutional setup of the EU. But first steps first. Let's start by checking out 2020.

2. CFSP – THREE ISSUES, TWO SCENARIOS, AND ONE INSTINCT REVERSED.

Three issues will be the driving forces behind the development of the European Union's Common Foreign and Security Policy (CFSP). The institutional setup established by the Lisbon Treaty will only be playing a facilitating role in this, albeit an important one. The three issues are the relative decline of U.S. global power, resurgent Russia, and the question of Turkey's accession to the EU. In the positive scenario, America's weakness will force the EU to get serious about its own military capacities, Russia's robustness will force the EU to speak with one voice, and the unresolved Turkey conundrum will force the EU to embrace a strategic role and resist its inward-looking temptations. In the negative scenario, America's weakness will drag Europe down with it, leading to a severe decline of Western influence around the world, Russia's power politics will splinter the EU on one some of the most important strategic questions (including energy and territorial integrity of central and western European states), and Turkey will become the symbol of Europe as a self-absorbed, inward-looking giant unaware of its strategic potentials and obligations.

All three questions, of course, are inseparably intertwined. Without the development of a strategic sense, there will be no improved military capacity. Without a more unified approach to its external affairs, there is no Europe that could make use of either strategy or military muscle. So where can the vicious circle be cracked open to make progress on all three issues?

This is where the new permanent President of the European Council and the High Representative of the Union for Foreign Affairs and Security Policy come into play. Apart from all the streamlining, co-ordinating, and compromise-building they will supposedly be asked to do, their main task in CFSP will really be to create a reversal of instincts. What does that mean? So far, the foreign policy practice of the EU has been as follows: as soon as a crisis breaks out somewhere on the planet, the first instinct of EU member states is to come up with their own position on the matter. Their second instinct is that maybe a unified position of the EU would be a useful thing to have. Neither the first High Representative, Javier Solana, nor some of the less egotistical council presidencies, nor the European Security Strategy, nor the sizable apparatus installed to create foreign policy cohesiveness in Brussels have so far been able to change this rather robust (and some say healthy) instinct of sovereign member states. The great task of the next ten years will be to gradually turn that instinct around, i.e., to let member states search for a unified position first and only revert to national policies once the unified approach fails. The good thing about this is that the reversal of instincts would not take any of the jealously guarded sovereignty away from member states who so eagerly guard their foreign policy prerogatives. It will only mean that they first put a serious effort into consulting with their EU partners before going out there alone. How can this be accomplished? It is mostly a matter of timing. The permanent President and the High Representative will have to propose a common position to all member states' governments almost instantaneously. The suggestions have to be of such high quality and must so diplomatically take into consideration various national sensitivities that it would be very difficult for individual member states to reject them and go it alone. Over time, this practice, if done with diligence and prudence, will create a unifying dynamic without formally undermining nations' sovereignty. More importantly even, it would raise the political costs of breaking out of the suggested EU position. Nations still could do it alone (national sovereignty being intact) but there would be a strong incentive not to do so (the hefty political price tag being attached). Slowly but surely, this mechanism could create the kind of unity that is required to develop a common strategy, speak with one voice, and ponder strategic

consideration. With Lisbon being in place, external pressures steadily rising, and no substantial further step toward integration being in the pipeline, the time is now to establish this informal mechanism of instinct reversal. If by 2020 this mechanism will not be established as EU Standard Operating Procedure, there will be little hope to tackle any of the issues mentioned above, or any of the myriads of lesser issues eagerly waiting to be resolved.

3. THE FUTURE OF EU-U.S. RELATIONS

Between 2010 and 2020, EU-U.S. relations will be dominated by one over-arching macro development which, in one way or another, will affect almost all technical issues that might appear on the agenda during this period. It is the fact that the West will count for less in the world. This does not mean a total loss of influence but rather a steady relative decline of power. The United States will for a long period of time remain the most potent and least dispensable world power. Europe will remain an economic strong house with now slightly improved prospects of becoming a more unified foreign policy player. But even when combined, the transatlantic axis will have less influence in international organizations, less money to spend to secure global influence, and less of a monopoly on providing the universally accepted ideas for international problem solving.

This very fundamental trend will, by and large, lead to stronger cooperation across the Atlantic, not less. The geo-strategic center of gravity might somewhat shift away from Europe in the direction of Asia. But the protracted conflict in the Middle East, and a Russia eager to make up for its weakness by posing strongly, will prevent a complete shift of focus. America will probably be less present physically in Europe. But it will retain its strong geo-political interest in the security and stability of the European continent.

Furthermore, as the rest of the world is on its way to emancipate itself from Western ideas and values, and will eventually become strong enough to impose order on its own terms, America and Europe will find themselves drawn together even closer. Based on the much-evoked set of common values and their shared culture, the transatlantic partners will find it increasingly attractive (or at least less troublesome than the

alternative) to seek cooperation with each other in the new emerging world order. Also, beyond being a matter of familiarity and convenience, the transatlantic partnership will become one of political necessity—even more so than it already is. Both sides will soon be in a position where they can afford even less to let inner-western disputes disrupt unity and weaken their global negotiating position.

Looking beyond this very fundamental consideration, what is it that the EU will want to get out of the transatlantic relationship? Basically two things: a continued security guarantee and further liberalization in transatlantic trade.

Transatlantic Security: Trading Capabilities for Influence

The simple but often forgotten fundamental about European geo-strategy is that for its own security, Europe still relies on the American willingness to function as the protector of last resort. Historically, the entire EU integration process unfolded under the strategic umbrella of U.S. nuclear deterrence, making the old continent less susceptible to Soviet (and later Russian) political influence. This rationale remains valid today. Europe cannot guarantee its own security and Russian aspirations to gain political leverage, and even veto status in European security affairs, are as obvious as ever. Despite Europe's effort to develop its own military capabilities, European nations will want to keep the U.S. committed to Europe's security. Two developments will drive up the price for this continued commitment: the recalibrating of U.S. strategic priorities (attaching less priority to a substantial presence in Europe), and the relative decline of the U.S. as the provider of global stability (see above).

The result of this constellation will be a simple quid-pro-quo deal: The Europeans will have to invest more in their capabilities and will accept more responsibility for the collective security of the transatlantic partners (e.g., in Afghanistan). America, in turn, will accept stronger European influence on the decision-making and planning processes for these missions. It's trading assets for influence.

This scenario depends on two insights, one European

and one American: America must realize that it is in relative decline, that it needs allies to secure its influence, and that there is no better ally anywhere to be found than Europe. The Europeans need to make the tough decision to invest more in their political and military assets to become and stay a potent partner for the United States (and all this in a time of unprecedented budgetary constraints). If either of the two sides fails to deliver its part of the deal, the transatlantic partnership will, over time, cease to exist as a viable global force. Sheer necessity should dictate the right outcome, but the political price will be a hefty one for both sides. Between 2010 and 2020, the pains of losing international influence should become so intense that the learning process necessary to bring about this deal will commence. By 2020 it should at least be well under way, maybe even bearing first fruit.

Trade Liberalization

With the global economy still recovering from the international financial and economic crisis, the WTO talks remaining in deadlock, and the former Western monopoly of the G8 effectively being replaced, one of the few remaining playing fields for genuine transatlantic decision-making is EU-U.S. trade. Transatlantic trade still is the backbone of the global economy, and Foreign Direct Investment (FDI) in the area is booming.¹⁸ With the EU desperately seeking to rejuvenate its ambitious economic reform plan called "Lisbon Agenda," and with Chancellor Merkel's idea of a Transatlantic Economic Council (TEC) still waiting to be filled with life, the pressure to increase EU-U.S. market integration will increase. However, a Transatlantic Free Trade Association (TAFTA), as it has repeatedly been suggested by politicians, economists, and pundits, is not in the pipeline (at least not within the next ten years). But numerous sectoral deregulations are currently being debated, albeit still being far from completion.

In stark contrast to the field of international security, progress in the economic relationship is mostly dependent on the United States. On the one hand, the recession following the bursting of the housing bubble has strongly emboldened latent protectionist leanings in the U.S. business sector, and, more importantly, among trade unions and their affiliated political

representatives. Job losses, specifically in manufacturing, have not whetted the appetite for further opening up markets. On the other hand, the magnitude of the economic crisis in the U.S. starts to threaten America's appeal as a location for FDI, thereby potentially loosening transatlantic business relationships. Whether both phenomena will have a decisive impact on the development of transatlantic economic relations between 2010 and 2020 will largely depend on how quickly and how strongly the U.S. economy can recover from its current slump.

Europe in turn will have to tackle two issues: Firstly, it will have to address the general trend among member states to undermine the single market by silently advocating a stealth re-nationalization of markets and industries.¹⁹ Second, the EU will devise the so-called Agenda 2020 as an economic reform program to replace the Lisbon Agenda in 2010. Most of the strategies and measures contained in that document will focus on the direly needed internal reforms of EU member states' national economies, and of inner-EU economic affairs. However, progress in transatlantic economic relations, e.g., in agriculture, audiovisual products, and the chemical sector, could serve as a useful pro-open market reminder to liberalization-weary politicians in the EU.

NOTES

1 See: McKinsey & Company, *Deutschland 2020, Zukunftsperspektiven für die deutsche Wirtschaft* (Frankfurt, 2008), Executive Summary, p. 5, <http://www.mckinsey.de/downloads/profil/initiativen/d2020/D2020_Exec_Summary.pdf>.

2 Ibid.

3 See as an example: Deutsche Bank Research, *Deutschland im Jahr 2020 – Neue Herausforderungen für ein Land auf Expedition* (Frankfurt, 2007).

4 For an analysis about the possible break-up of the CDU, see Wolfgang Stock's rather bleak (and sometimes too bleak) assessment of the CDU's strategic positioning. Wolfgang Stock, "The CDU: Still a Party for the Future?" *AICGS Transatlantic Perspectives*, September 2009, <<http://www.aicgs.org/documents/pubs/stock.atp09.pdf>>.

5 Europeans tend to forget that the founders of the European Community of Coal and Steel first needed to solicit a thumbs-up from the Eisenhower administration in 1957 before setting up the treaty and the institutions. For a description of the U.S. role in getting the European integration process started, see: Michael Ley, Klaus Lohrmann, *Projekt Europa: Erfolge, Irrtümer, Perspektiven* (Düsseldorf, 2007).

6 This now famous 2002 statement by then-German Minister of Defense Peter Struck was one of the few outright exercises of public geo-strategic reasoning by a leading German politician, even though he might not have known or intended it at the time.

7 One of the most outspoken representatives of this position is former chancellor Helmut Schmidt, at age 91 still considered to be one of Germany's pre-eminent strategic thinkers.

8 I owe this formulation to Heinrich Kreft, foreign policy advisor to the CDU/CSU parliamentary group in the Bundestag, who, I believe, has introduced it to the discourse in Berlin over the last few years.

9 See Alan Posener's brilliant essay on Europe as the benevolent empire of the future for one of the most compelling cases in favor of Turkish EU membership. *Imperium der Zukunft – Warum Europa Weltmacht werden muss* (Munich 2007).

10 According to poll conducted in 2008, 76 percent of Germans are opposed to Turkish EU membership. So are a remarkable 80 percent of French, 68 percent of Belgian, and 67 percent of Dutch citizens. See: Angus Reid Global Monitor, "Europeans Not Keen on Turkey's EU Bid," <http://www.angus-reid.com/polls/view/31695/europeans_not_keen_on_turkeys_eu_bid/>.

11 This contentious issue is not only playing out negatively for the EU but also for NATO. NATO-EU relations are close to irrelevant because of Turkey's willingness to make Cyprus a veto issue on increased EU-NATO cooperation.

12 Speech of Chancellor Angela Merkel to the Knesset on 18 March 2008. Official translation of the German original provided by the German Federal Chancellery at <<http://www.bundeskanzlerin.de/Content/DE/Archiv16/Artikel/2008/03/Anlagen/2008-03-18-rede-knesset-englisch.property=publicationFile.pdf>>.

13 Speech of Chancellor Angela Merkel at the United States Congress on 3 November 2009. Translation provided by the author. <<http://www.bundeskanzlerin.de/Content/DE/Rede/2009/11/2009-11-03-rede-merkel-usa.html>>.

14 For an in-depth analysis of this very specific German political sentiment, please see the six short essays on German "normalcy" provided by various authors to *The American Interest*. "Is Germany normal? – Twenty Years after the Berlin Wall," *The American Interest*, Vol. V, No. 2 (November/December 2009), 54-70. See also Constanze Stelzenmüller's excellent analysis of the lack of a German strategic culture. Constanze Stelzenmüller, "Die selbstgefesselte Republik," *Internationale Politik*, January/February 2010.

15 This paralysis is best illustrated by Germany's operational caveats imposed on its troops by very strict German rules of engagement on the ground in Afghanistan. This policy, born out of eagerness to avoid bad combat-related news that could stir up public debate at home, cost Germany sympathy, trust, and political influence with NATO allies in

Afghanistan.

16 For an account on this issue, see "Did German Defense Minister Know More than He Let On?" *Spiegel Online*, 12 December 2009, <<http://www.spiegel.de/international/germany/0,1518,665680,00.html>>.

17 See: Torsten Oppelland, "Institutionelle Neuordnung und Demokratisierung," in *Reform und Krise – Europäische Politik im 21. Jahrhundert*, ed. Olaf Leißle (Wiesbaden, 2009).

18 For a concise overview on core transatlantic economic data (pre-crisis) see Global Europe's factsheet "Global Partners: EU-US Trade and Investment," June 2008, <http://trade.ec.europa.eu/doclib/docs/2008/june/tradoc_139108.pdf>.

19 See: German Marshall Fund of the United States, *Policy Brief: [Re] Nationalization in Europe*, 20 August 2009, <http://gmfus.org/doc/Wood_Renationalization_final.pdf>.



03

SUMMARY

SUMMARY

Germany, the United States, and Europe are in a state of transition and transformation. The end of the Cold War; the unification of Germany and Europe; the terrorist attacks of September 11; and the rise of China, India, Russia, and Brazil as important players on the global stage have impacted Germany, Europe, and the United States and how they relate to each other. Looking ahead to a Germany and Europe in 2020, Germany's economic system, its party system, and its foreign policy all will have to adjust to the new realities. Germany's economic system is faced with the dilemma of rising social welfare costs due to the continued aging of its society and the relative stagnation of its economic output and the increased budget deficit, which makes exactly these kinds of social programs cost-prohibitive. Yet, as the green economy increases to rise in importance, Germany's lead role in this sector might continue to ensure its status as economic powerhouse.

The most recent German federal elections in September 2009 also indicate that Germany's party system is changing. The decline of the two previously dominant *Volksparteien* CDU/CSU and SPD has opened the possibility to a wide variety of coalitions between the two parties and the three smaller parties, *Bündnis 90/Die Grünen*, *Die Linke*, and the FDP. It will depend on the strength of the *Volksparteien* and their strategic choices if an entrenched ideologically-driven two-camp party system emerges or if the coalitions remain more fluid and the smaller parties, especially *Bündnis 90/Die Grünen*, will be king-makers.

Several factors will also influence Germany's foreign policy choices. The strategic debate in Germany has

not yet caught up with its increased international responsibility, but its role in Afghanistan, the question if Turkey becomes a member of the EU, the development of NATO, the relative decline of the U.S., and the threat to Israel from Iran will spur the "growing-up" of Germany's foreign policy, leading the country to take on more responsibility internationally.

Looking at the future of Germany also includes looking at the future of the European Union. The implementation of the Lisbon Treaty and the strengthening of the democratic mechanisms in the EU through the European Parliament and the inclusion of referenda will change the character of the EU. These changes will also affect the EU-U.S. relationship. The United States and Europe will have to wrestle with three factors in the coming decades: the increasing interdependence in transatlantic relations, the sliding scale of consensus and competition, and the sharing of burdens and power across the Atlantic.

Just as Germany and Europe are still coming to terms with their respective unifications and roles in this transforming world, the U.S. also continues to deal with the changes brought by the end of the Cold War and September 11. Even as the sole remaining superpower, the challenges such as the wars in Afghanistan and Iraq, the global financial and economic crisis, and climate change cannot be met alone. The U.S. will have to examine how best to cooperate with its international partners, especially Europe and Germany with which many values are shared. The transatlantic relationship has been evolving over the last few decades in ways that require both sides of the Atlantic to revise how they need each other. Differences of opinions on

economic policy, climate change, how to act toward Russia, what the borders of NATO or the EU should be, to name only a few, have marked the transatlantic partnership in the past decade. But being partners does not mean that agreeing on all policy issues is necessary.

Shifts in the global agenda and the rise of important players outside of the transatlantic network do not make the transatlantic relationship obsolete. Indeed, it is based on interdependencies and shared values, from which the United States, Germany, and Europe can address global challenges together. In this, Europe and the United States should examine whether institutions and organizations built during times of the Cold War can adjust to new realities and how they can best serve the partnership and its common goals. Throughout all political and economic transformations ahead, Germany and the U.S. will both require a strong domestic political leadership, which is prepared to lead the countries and implement sometimes painful reforms. Only if this domestic political leadership is in place and the transatlantic partnership is working together on global issues can solutions to those challenges be found. While the world is still in the process of transformation after the end of the Cold War, one legacy of the Cold War and the two decades following its end is already clear: The transatlantic partnership is indispensable. This will also hold true in 2020, regardless of the unknown challenges ahead.

AICGS

1755 Massachusetts Ave., NW
Suite 700
Washington, D.C. 20036 – USA
T: (+1-202) 332-9312
F: (+1-202) 265-9531
E: info@aicgs.org
www.aicgs.org

AMERICAN INSTITUTE
FOR CONTEMPORARY
GERMAN STUDIES

THE JOHNS HOPKINS UNIVERSITY

Located in Washington, D.C., the American Institute for Contemporary German Studies is an independent, non-profit public policy organization that works in Germany and the United States to address current and emerging policy challenges. Founded in 1983, the Institute is affiliated with The Johns Hopkins University. The Institute is governed by its own Board of Trustees, which includes prominent German and American leaders from the business, policy, and academic communities.

Building Knowledge, Insights, and Networks for German-American Relations