ENDURING PARTNERSHIP

RECOMMENDATIONS TO THE NEXT U.S. ADMINISTRATION FOR THE GERMAN-AMERICAN RELATIONSHIP

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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.

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INTRODUCTION

The United States and Germany have forged a unique partnership in the seventy-five years since the end of World War II, based on a commitment to democratic freedoms, strong and innovative economies, and a solemn pledge to defend one another. It is part of the most successful cooperative endeavor in modern history: the international architecture Washington created, enabling an unprecedented expansion of prosperity and liberty.

Even the best marriages are tested, however. The German-American relationship is undergoing perhaps the greatest stress test in its postwar history. This is a result in large part of the changes in policy and style by the Trump administration. But it also reflects the inescapable reality that the world is changing, and the U.S. and its allies like Germany must adapt, even while the principles on which we base our cooperation remain unwavering. Put simply, the United States, Germany, and Europe have no closer friends and no more productive partners than each other.

The dual nature of the U.S.-German relationship is at the heart of this publication: our partnership endures because of the shared interests, intricate ties, and common democratic institutions that unite us. At the same time, we have differences: the frictions that arise can make partnership a trial that we must endure. This requires the political readiness and skill to establish major priorities together and not to let minor irritants sidetrack us. It is our conviction that today, as throughout postwar history, the unifying forces are more powerful than any disagreements in comparison to the world we face together.

The coming five months likely will see one of the hardest-fought presidential campaigns of our lifetimes. President Donald Trump and former Vice President Joe Biden present diverging views of the problems our country faces and differing prescriptions for addressing them.

Regardless of the election outcome, the international challenges that the U.S. confronts will remain, and the partnership between the United States and Germany can form a central pillar for whichever candidate wins. The administration that takes office on January 20, 2021, will survey a world still struggling to overcome the public health and economic effects of the COVID-19 pandemic, characterized by weakened international cooperation, growing antagonism among the major powers, and greater risks than we have seen since the end of the Cold War. Amid that uncertainty, the most important international asset in the U.S. toolkit remains the network of partnerships and alliances it has forged in the seventy-five years since the end of World War II.

The Trump administration in three and a half years has stripped from the German-American relationship much of the nostalgia, but the removal of sentimentality only exposes more starkly the shared interests of the United States and its partners—including the advanced economies in Europe, and most especially Germany.

In this publication, AICGS scholars and staff focus on the common interests that can form the basis of renewed transatlantic cooperation in the coming four years, regardless of election outcome. We do not weigh one candidate against another; instead, we identify constructive opportunities that either candidate could pursue. We do not attempt to predict what paths either candidate would take in office. A re-elected
President Trump, for example, could decide to withdraw all U.S. forces from Germany or otherwise undermine NATO, as short-sighted as that would be. We seek to highlight the broad and promising scope that exists to strengthen U.S.-German collaboration within the approaches of either leader and his political party. Those opportunities for shared success are many:

- The United States has a formidable infrastructure of foreign policy coordination and security action. Jeff Rathke describes how to bolster this framework through active engagement, complemented by stronger legislative involvement in key issues.

- As the largest and most intense economic relationship on Earth, the United States and Europe can forge a new approach to trade, as Peter Rashish argues. A “Safe Trade” agenda would advance U.S. prosperity and security along with our allies—an endeavor in which Germany could play a crucial role as the largest economy in Europe.

- Dr. Stephen Szabo explores Russia policy and the opportunities Berlin and Washington have to strengthen solidarity, stability, and peace in Europe for a further generation.

- Dr. Gale Mattox focuses on America’s most important alliance—NATO—and how Germany and the United States could reinforce shared purpose and shared burdens.

- Collaboration between the U.S. and Germany on China policy can anchor a strategic transatlantic approach, as Yixiang Xu writes, highlighting pragmatic ways to address technology and trade threats from China’s increasingly assertive policies.

- Federalism in the U.S. and Germany is under stress. Dr. Eric Langenbacher points out common challenges our societies and political systems must confront to achieve renewal.

- Elizabeth Caruth outlines how the bilateral partnership can improve U.S. labor market policy by building out the apprenticeship and workforce training models that have been at the heart of German investment in the United States.

Partnership, of course, takes two. Germany is in the midst of its own transition, with Chancellor Merkel’s announced retirement from politics after the 2021 Bundestag election and the impending leadership change in her Christian Democratic Union. That election will result in a new chancellor and possibly a different governing coalition. Germany thus is embarking on a more dynamic period with the potential for significant changes in policy and approach.

We offer these recommendations in the conviction that the United States and Germany have enormous opportunities together. We hope that these ideas meet with bipartisan support that advances bilateral relations, strengthens trust, and shapes a favorable international order.

We can’t do it alone.

Martin Richenhagen  
Chairman, AICGS Board of Trustees

Jeff Rathke  
AICGS President
U.S. Strategy and the Infrastructure of German-American Cooperation

- Establish regular dialogue at the cabinet level with German counterparts as part of a broad strategic agenda to bring predictability for the coming four years.

- Strengthen legislative dialogue between leading members of the key House and Senate committees responsible for foreign, defense, and economic policy with their German counterparts to build a foundation for long-term cooperation.

Trade

- Launch a “Safe Trade” agenda that will begin with a new “U.S.-EU Strategic Economic Agreement.”

- Reduce transatlantic trade barriers to boost post-pandemic economic growth.

- Diversify U.S. trade and investment relationships to increase economic resilience.

- Leverage U.S.-EU statecraft to strengthen the international economic system.

Russia

- Establish a joint working group to develop and coordinate a common approach to Russia.

- Extend the New START Treaty for a minimum of five years and engage with Russia in talks to deal with the new nuclear situation in Europe.

- Withdraw sanctions related to the Nord Stream 2 pipeline and focus on political and regulatory actions by Europe and Germany on the pipeline.

- Increase American and German efforts against Russian hybrid warfare tactics. The West should devise and implement stronger countermeasures if Russia is unwilling to restrain these activities.
NATO

- Maintain essential U.S. military capabilities in Europe alongside those of NATO allies in order to maintain conventional and nuclear deterrence of any adversary. This includes the European Deterrence Initiative, Enhanced Forward Presence, and other capacities for regional reinforcement.

- Balance the intense focus on the 2 percent of GDP spending target with a greater emphasis on outputs for Germany and NATO as a whole.

- Discuss within NATO the potential security challenges posed by China's Belt-and-Road Initiative as the influence and dependence on China grows on the European continent.

- Work with international partners to secure a long-term funding instrument for Afghanistan in the context of any drawdown or withdrawal of international forces.

- Improve NATO's pandemic and biological warfare preparedness, in order to support civilian authorities and maintain the ability of military forces to operate in any future occurrence.

China Strategy

- Elevate China policy to a strategic anchor of the transatlantic relationship.

- Build transatlantic cooperation on foreign investment screening and export control regimes.

- Expand capacity and enhance security in critical technologies.

- Strengthen multilateral fora to set global rules and standards.

Renewing Institutions

- Convene a commission to assess the state of U.S. federalism.

- Address the decline of norms, precedents, and traditions in many federal branches of government.

- Restore and increase budgets for public diplomacy and international aid.

Building a Modern Workforce

- Expand U.S. funding for federal apprenticeship programs, remove barriers to entry for firms, and invest in innovative programs.

- Commission a national report to elevate best practices (many of which have been introduced by German investors in the U.S.).

- Sign a Declaration of Intent with Germany on apprenticeships to encourage transatlantic cooperation between companies, schools, and policymakers.
Elizabeth Caruth is the Research Associate at AICGS. She oversees planning and logistics for AICGS seminars, workshops, conferences, and symposia. She contributes to AICGS research on workforce education and immigration and integration and has co-led study tours to North and South Carolina as part of “Employment, Education, and Training: Integrating Young Minorities into the Workforce.” Before joining AICGS, she taught English at a secondary school in Herne, Germany, as part of the Fulbright Program. During her time as a Fulbrighter, she also volunteered with the U.S. Consulate Düsseldorf’s MeetUS program, where she traveled to schools across North Rhine Westphalia to speak with secondary school students about the United States. She has previous experience at the University of Denver’s Josef Korbel School’s Office of the Dean and WorldDenver, a nonprofit global affairs organization. Ms. Caruth received her MA from the Josef Korbel School of International Studies at the University of Denver, where she was a Marc Nathanson Fellow. She graduated magna cum laude from the University of Arkansas with degrees in International Relations, European Studies, and German. She is an alumna of the Aspen Seminar for Young European Leaders “Next-Gen Europe: Leading for Values.”

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The start of any foreign policy strategy is an honest assessment of one’s strengths, the objectives of other major powers, and the potential alignments that can most reliably promote a country’s interests in a competitive world. The United States remains the preeminent global power but faces an increasingly contested environment. Thirty years of U.S. unilateral dominance is coming to a close. This is in part a result of China’s ambition and its growing reach, influence, and skill in navigating international affairs and multilateral institutions. The United States’ position is compounded by the most profound period of alienation from many of its most capable allies, which weakens Washington’s potential to mobilize purposeful, sustainable coalitions. To be sure, the United States is still often able to get what it wants when it concentrates its national efforts and employs its substantial power. Succeeding in the face of growing difficulties is only possible if the United States recognizes the limitations on its power and prioritizes. This is an essential step in reconciling its goals with its ability to accomplish them and focusing on those objectives that are truly essential to American national security and prosperity.

It has been an axiom of U.S. foreign policy for more than seven decades that alliances magnify the reach and impact of American power, provided that our partners have significant influence and we share with them sufficient commonality of interests so that collaboration is not achieved at the price of unacceptably diluted objectives. Common cause with Western Europe brought about the peaceful end of the Cold War on American terms. Strategic cooperation in the 1990s and 2000s consolidated free and democratic systems in central and eastern Europe and firmly anchored them in NATO and the European Union. (There is a clear trend toward illiberalism in several European countries, but it is hard to imagine those problems being more manageable if those countries were outside of the major Euro-Atlantic institutions.)

The U.S. relationship with Germany has been central to achieving the most important U.S. goals since the founding of the Federal Republic of Germany in 1949. The reasons still apply. Today Germany is the largest economy in Europe and is uniquely able to bring about European political consensus on important issues, demonstrated most recently by the country’s role in enabling the European Union’s COVID-19 economic recovery
plan. Germany is central to military mobility and any response to a serious security threat in Europe; it also has a large and growing defense budget that may not increase fast enough for U.S. liking but that nevertheless has risen by over 40 percent since 2014 and is now on par with the spending of France.

Several factors were important throughout seventy years of concerted diplomatic cooperation with Germany and other advanced European democracies. First was a broad transatlantic agenda that was never reduced to a single litmus test. The fundamental policy directions were clear—protecting transatlantic security, promoting prosperity, and advancing human freedoms—and because American leaders worked intensively across the breadth of those objectives, there were always multiple priorities in which all had a stake. During periods of difficulty there were always areas where agreement remained solid, demonstrated the benefit of joint action, and gave transatlantic allies important focal points for positive engagement. The relationship was under stress in the early 1980s when European companies were helping build a Soviet gas pipeline to West Germany, and Washington imposed sanctions on Western companies. But the overwhelming need for the U.S. and its NATO allies to restore nuclear stability in response to the Soviet Union’s deployment of intermediate-range missiles kept the transatlantic relationship on track. After the 2002-2003 rift over the second Iraq war, Germany and other NATO allies that opposed that war reinvested in their security contribution in Afghanistan, demonstrating shared commitment despite deep disagreement over the Middle East.

We have many transatlantic disagreements at present. Some are significant—the fraying consensus on how to structure the global economy, the inability to agree on addressing climate change—while others are minor. But they do not outweigh the strategic challenges that both sides acknowledge and that should unite us: China’s increasing assertion of its economic, political, and military power; a revanchist Russia that seeks to redraw European borders, intimidate its neighbors, and undermine support for Western democratic systems; and phenomena such as pandemics that threaten lives and livelihoods across borders. What is missing is the ballast of strategically important transatlantic goals established at the highest levels: endeavors jointly pursued, predictable, and publicly acknowledged.

American global leadership requires concerted action with like-minded countries. It depends therefore on predictability— allies must be in a position to understand U.S. strategic direction, raise concerns at an early stage, and calibrate their policy trajectory to remain in concord. This necessity is heightened with democratic partners, whose leadership also must build public support for a sustainable policy direction.

The United States needs therefore to reinvest in its alliances. This does not necessarily mean new expenditure—it means the deliberate building of sustainable policies that form the tangible bedrock of partnership and that are visible to the public, conveying the clear strategic purpose of the transatlantic alliance. It means resisting the temptation to prevail over your friends and instead focusing on succeeding together against consequential challenges.

The U.S. decision to remove about one-quarter of its forces stationed in Germany is a case in point. The United States has maintained a forward presence in Europe for seventy-five years since the end of World War II, with the largest contingent in Germany, which has welcomed and supported them materially. What began as a U.S. occupying force became the backbone of deterrence against the Soviet Union, numbering in the hundreds of thousands. For most of the post-Cold War period, U.S. forces focused on building the capacity of new NATO allies and engaging in (or supporting) expeditionary operations in the Balkans, Iraq, Afghanistan, and elsewhere. One can rightly ask in 2020 why U.S. forces should be forward-stationed in some of the wealthiest and most successful countries on earth, such as Germany, which have significant military potential. It comes down to leadership and the benefits it promises. As the most powerful country on earth, the United States has the ability to leverage and orchestrate
actions by its allies, but only if the goals are shared and the U.S. is itself engaged. Allies will take risks if they know the United States is alongside them, providing the assurance and predictability to justify their sacrifices. American leadership is an essential ingredient; an unavoidable down payment without which concerted action does not happen. It is the price of being a superpower; what the United States gets in return is the ability to shape developments globally.

President Trump and his administration have expressed repeatedly a desire to reduce the number of U.S. forces deployed in Germany or to extract greater compensation from Berlin to cover the costs. The ideal level of U.S. forces in Germany (or anywhere else) is not written in stone, but is the result of several factors: the security threats in Europe and the types of conventional and nuclear forces necessary to deter aggression; the critical mass of U.S. presence needed to catalyze allied solidarity and ensure cohesion and interoperability in the event of a crisis; and the risks in nearby regions such as the Middle East and North Africa to which the United States may need to respond. A determination of the military capabilities the U.S. should maintain in Germany should be the result of a deliberate assessment within the U.S. executive and legislative branches, in consultation with counterparts in Germany and with NATO allies. Arbitrary changes in force levels that are not grounded in politico-military realities will undermine NATO cohesion and ultimately weaken the United States’ ability to lead effectively in a crisis.

**RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT**

The United States should ensure that it prioritizes its goals in the face of constraints. It can best do this by establishing regular dialogue at the cabinet level with German counterparts as part of a broad strategic agenda for the coming four years. These consultations should reflect the broad nature of the U.S.-German partnership and incorporate meetings in the State-Defense (2+2) format as well as other configurations, such as with the National Security Adviser, the Secretary of Treasury, Secretary of Commerce, U.S. Trade Representative, or other relevant officials. They would complement similar initiatives with key European allies, with NATO, and with the European Union. This would take time and energy, but the dialogue would focus the U.S. and German foreign policy structures on progress toward defined objectives, rather than reactive positioning on issues that are not necessarily strategically significant.

The U.S. Congress and the German Bundestag have a special role to play in this partnership. Bilateral legislative contacts accompany the dialogue between government officials, which is particularly important in times of stress in the relationship. The separation of powers in the U.S. means that divided government is a recurring phenomenon in American politics, which enhances the need for both the executive and legislative branches to be engaged with German leaders. For example, the Congress has energetically defended the U.S. leadership role within NATO, and its budgetary power gives it an important voice in the U.S. security presence in Europe and in the development of U.S. capabilities that are central to collective security. In Germany, the Bundestag has forced the government of Chancellor Merkel to strengthen its approach to issues of security in building the country’s 5G communications network, as Yixiang Xu outlines in more detail in his recommendations in this publication. Information security legislation is due later this year that will establish the security requirements for systems like 5G.
Congress has the power to set the broad direction of U.S. foreign policy through legislation and budgets. This has been exercised in recent years to enshrine in U.S. law sanctions on companies involved in the Nord Stream 2 gas pipeline from Russia to Germany, and against companies engaged in many types of business with Iran. Legislative sanctions, which often have the intent of constraining presidential actions, have only rarely been rescinded, which means that they form an encumbrance on U.S. foreign relations that often lasts decades. Rank-and-file parliamentarians in Germany have not always been persuaded by the case for defense spending, which brought spending on the Bundeswehr down to 1.18 percent of GDP in 2014.

A strengthened dialogue between leading members of the key House and Senate committees responsible for foreign and defense policy with their German counterparts could open new avenues to defuse policy disagreements and tensions and to ensure that foreign policy legislation in each country takes account of the impact on bilateral relations and builds a broad foundation for long-term cooperation.

The challenges that the United States and Germany will face in the next administration are daunting but not insurmountable. A renewed set of priorities and strengthened spirit of collaboration in the executive and legislative branches will equip the transatlantic partners to advance their shared interests effectively and set the standards that will define the international environment for decades to come.
A “SAFE TRADE” AGENDA FOR THE UNITED STATES, GERMANY, AND THE EUROPEAN UNION

PETER S. RASHISH

Key Recommendations

- Launch a “Safe Trade” agenda that will begin with a new “U.S.-EU Strategic Economic Agreement.”
- Reduce transatlantic trade barriers to boost post-pandemic economic growth.
- Diversify U.S. trade and investment relationships to increase economic resilience.
- Leverage U.S.-EU statecraft to strengthen the international economic system.

When the next U.S. president takes office in January 2021 the most severe public health effects of COVID-19 will likely have subsided. Yet the return to normal in economic activity in the United States and Europe will be halting. Some aspects of daily life will seem familiar, as factories, offices, and retail establishments are re-opened. But as the awareness deepens that many of the personal, societal, and commercial changes that emerged from the pandemic will persist, ongoing skepticism on both sides of the Atlantic about the current model of globalization could accentuate. Despite this challenging moment for U.S. international economic engagement, either a re-elected Donald Trump or a new Democratic administration ushered in by Joe Biden will have the opportunity to advance U.S. prosperity and security through its trade policies but ones that in many ways will need to break from the past. The United States will only succeed in this task if it builds cooperation with the European Union, its most important strategic and commercial partner, and in particular with Germany because of its economic strength and political alignment within the EU.

The Economic Backdrop

If certain crisis behaviors do live on then even if growth returns to pre-crisis levels by next year (the Peterson Institute for International Economics predicts -3.4 percent global growth in 2020 shifting to +7.2 percent in 2021), how that economic activity is distributed within the U.S. and European economies could start to look different. The contribution of the digital economy may grow as more consumption and services are performed online, while traditional travel and entertainment spending may decline. Governments, firms, and individuals may try to sustain at least part of the reduction in emissions of CO2 and other causes of climate change that has been a by-product of the drop in transportation and industrial activity during the crisis.

The pandemic will also make its mark on international trading arrangements. Already before COVID-19 struck, the percentage of trade to world GDP—which had been rising since 1990—started to decline after the global financial crisis of 2008-09 and has not recovered since. Part of that decoupling of trade and growth is attributable to
technological factors like the use of 3D printing and to China’s shift to a more demand-driven economy, but part is owing to an uptick in protectionist measures globally, including recent U.S-China trade frictions.\(^4\) With the collapse in services like tourism and air transportation, among other factors, the current crisis will send that phenomenon into overdrive: the World Trade Organization (WTO) projects that trade will drop by anywhere from 13 to 32 percent in the current year.\(^5\)

### Risk and Reward in the Global Economy

Although global trade may eventually recover, it is not just the quantity of trade that COVID-19 will impact, but also its quality. Beyond its devastating public health consequences, the pandemic has exposed the vulnerabilities in existing commercial arrangements for obtaining medical and other products at a time of crisis. While some of the shortfalls in personal protective equipment (PPE) can be attributed to inadequate stockpiling by governments, reliance on a small number of suppliers—or in some cases even a single supplier—for both parts and finished products has also led to shortages.\(^6\)

This lack of redundancy in supplier networks, or global value chains (GVCs), was not an unintended consequence of globalization; it was a defining feature. Today, up to 70 percent of world trade is in component parts rather than finished products.\(^7\) GVCs have reduced costs for U.S. and European producers, and helped to integrate low-income countries (especially in Asia) into the global economy. But they also introduced potential vulnerabilities—supply disruptions, price rises, hoarding—that became real during the current public health crisis.

As a result of the shortages of PPE and other products on either side of the Atlantic and beyond, governments and companies are recalculating the risks and rewards of the current model of globalization. Diversifying existing supply chains can be expected to gain additional credence as a means to ensure greater economic resilience during an external shock like the current pandemic. Such a shift, which has been described as a “just in case” instead of a “just in time” approach to production would add costs in normal times that would in principle be balanced out over the long term by savings during disruptions.\(^8\)

### Transatlantic Economic Dynamics in a Crisis

While the Trump administration has reduced some tariffs in response to the crisis, the outbreak of COVID-19 has also spurred a move to enforce Buy American provisions for U.S. government purchases of pharmaceuticals and medical products.\(^9\) Rather than a recalibration of public health supply chains, the White House’s objective is their repatriation—something that would make the U.S. both less prosperous (because of the higher costs involved) and less secure (because many life-saving medicines may only be available from companies based outside the United States).

Such a step would follow other protectionist policies since Trump’s election, including withdrawal from the Trans-Pacific Partnership (TPP), imposing national security tariffs on steel and aluminum imports, threatening similar tariffs on imported cars and car parts (intended in large part to reduce the U.S. trade deficit in goods with Germany), and levying separate tariffs aimed at Chinese products which even after a Phase One deal to ease bilateral economic relations agreed in December 2019 leaves $370 billion worth of Chinese imports affected.\(^10\)

Beyond trade policy, the Trump administration’s “America First” nationalism can be seen in its aversion to engage in economic diplomacy on behalf of international public goods, which it appears to consider a misallocation of U.S. resources and contrary to the national interest. An example of this rejection of the U.S. vocation as an ordering power is the administration’s failure to coordinate a G20 or G7 response to COVID-19, despite the United States being the world’s largest economy and holding the rotating leadership of the latter forum in 2020. This withdrawal from the global economic stage is a marked departure from the leadership roles that presidents George W. Bush and Barack Obama played in response to the AIDS and Ebola
epidemics as well as the global financial crisis.

The situation in the European Union is different. Although many European countries imposed coronavirus-related export restrictions before the United States not only have many been lifted, but these measures came against a recent backdrop of considerable EU trade policy openness. In the last four years the EU has signed free trade agreements (FTAs) with Canada, Japan, and the four South American countries of Mercosur, updated its FTA with Mexico, and launched negotiations with Australia and New Zealand.

Yet the current crisis is intensifying a shift in thinking in the EU that has been underway at least since the arrival in December 2019 of the new European Commission led by President Ursula von der Leyen. The EU faces not only a more aggressive China, which it now partly labels a “systemic rival,” but also an increasingly contentious relationship with the United States that stems from bilateral trade imbalances and from Trump’s view that a less united Europe would better serve U.S. interests. Von der Leyen’s answer has been to call for a “Geopolitical Commission” that would place greater emphasis on using the EU’s economic assets to project power—what French president Emmanuel Macron has framed as the imperative for the EU to attain stronger economic sovereignty.

A joint paper produced by the European Council (representing the 27 member states) and the European Commission in April makes this approach more explicit. It advocates for “the strategic autonomy of the EU through a dynamic industrial policy” and asserts that, “the Covid-19 pandemic has shown the pressing need to produce critical goods in Europe, to invest in strategic value chains and to reduce over-dependency on third countries in these areas.”

EU Internal Market Commissioner Thierry Breton has suggested that, “the question posed by this crisis is that we may have gone too far in globalization.”

RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT

As both the growth of China and its state capitalist economy and a pandemic like COVID-19 have demonstrated, the United States is not equipped to respond to challenges on a global scale in isolation. A more robust U.S. engagement with the European Union will be crucial to achieve the kind of world Americans will want to live in after the crisis given the dimension of ambition required, the extent of economic interdependence between the United States and the European Union, and their shared global economic interests. For these reasons, early in his term the next president should announce as one of his major priorities a “Safe Trade” agenda that will begin with a new “U.S.-EU Strategic Economic Agreement.”

A Safe Trade agenda would do three things. First, it would seek to lift economic growth after the historic recession the current pandemic has caused. Second, it would build greater U.S. political and economic resilience by diversifying the country’s trading relationships. Such a step would reduce not only dependence on China’s state-dominated economy, but also disruptions to U.S. prosperity from tail events such as a global health crisis, an environmental catastrophe, a major political upheaval, or a cyber security breach. Third, a Safe Trade agenda would accept that because of China’s rise the current international economic system has become unruly and poses risks to U.S. and European security interests. The U.S. should commit to reform the WTO so that it becomes better able to manage the challenge from China, but that effort will be more likely to bear fruit if it is complemented by deepening strategically important economic relationships, above all the ones the United States can draw upon with Germany and the European Union.
While the global financial crisis and subsequent Eurozone debt crisis are distinct in many ways from the current pandemic, the United States can draw lessons from these earlier episodes for its trade policy with Europe in response to COVID-19. The drop in economic growth worldwide that followed the collapse of Lehman Brothers and other financial institutions was compounded by strict austerity measures that EU authorities required from certain Eurozone countries in return for bailouts of their banks and government finances. As the U.S. and European economies were strongly interlinked, on both sides of the Atlantic a concern emerged to identify additional sources of economic growth.

One result of this search for growth-enhancing measures was President Obama’s proposal during his February 2013 State of the Union address to negotiate a Transatlantic Trade and Investment Partnership (TTIP) with the European Union. Although the current pandemic has features of both a demand and supply shock, as lock down measures are eased an early harvest of zero tariffs (and lower, if not zero, subsidies) in a U.S.-EU Strategic Economic Agreement (SEA) would boost confidence and help raise economic output. The two sides should make a priority of eliminating the steel and aluminum tariffs imposed by President Trump on spurious national security grounds, as well as all tariffs on medical devices and PPE. As the U.S. and the EU are party to a WTO agreement on pharmaceuticals, nearly all those tariffs have already been removed.

Increasing U.S. Economic Resilience

A Safe Trade agenda would also promote a diversification of U.S. trade and investment relationships and the supply chains within them to strengthen economic resilience. The U.S.-EU agreement would be the centerpiece of this strategy, which could also include negotiations with other like-minded countries in Europe, Latin America, and especially with markets in Asia that can partially replace or add redundancy to China’s role in global value chains—eventually including the U.S. rejoining an updated Trans-Pacific Partnership (TPP). A TPP 2.0 should be open to membership for other Asian countries that can meet its high standards.

To complement efforts to reduce the intensity of economic relations with China, a Safe Trade agenda would also pursue greater value chain security among advanced, liberal economies. As a start, the U.S. and the EU should ensure that transatlantic production and supply lines remain open during a crisis that may hit each economy at different times or to different degrees. Especially given that a large portion of U.S.-EU trade is intra-firm, it would make sense for the two sides to set an example and ban incentives (subsidies, tax policies) to companies for repatriation of production facilities.

More broadly, the U.S. and the EU should build on the work done by the Organization for Economic Cooperation and Development (OECD) on global value chains, and propose that its 37 market economies adopt best practices to guide supply chain diversification and redundancy by their companies. While one effect of the pandemic is likely to be an increasing regionalization of supply chains, the U.S. and the EU can help ensure through new OECD principles that such a shift is as growth enhancing as possible.

While the trade and investment relationship with the EU is the largest the U.S. maintains, it could be deepened by measures to promote the growth and security of the technology-intensive and greener virtual economy that has grown since COVID-19. Lower barriers and common standards for the
digital economy could also help spur transatlantic innovation in artificial intelligence and the Internet of Things, helping to counter China’s technological and industrial leadership ambitions as part of its Made in China 2025 plan. The U.S.-EU Strategic Economic Agreement should aim to become the world’s gold standard for the data-driven economy.

Germany’s role will be crucial here. It is not only the largest economy in the European Union, but also the member state that has often been at the mid-point between forces advocating trade openness and hands-off domestic policies and those taking a more defensive and interventionist stance. Recently, increasing German wariness about China’s intentions has translated into greater comfort with policies to assert EU economic sovereignty—such as investing in EU-only supply chains.19 This “Made in Europe” approach could close off opportunities for transatlantic cooperation, undermining the ability of both the EU and the U.S. to respond to Chinese practices and goals. It is not de jure U.S. or EU sovereignty in isolation that matters, but rather how much de facto sovereignty the two sides can bring to bear together.

Strengthening the International Economic System

Perhaps the most important role for the next president’s Safe Trade agenda is to ensure that the global economy continues to operate according to rules that advance U.S. national interests. The World Trade Organization is at once the greatest accomplishment in multilateral governance and for the moment ill equipped to manage the kind of challenge that China’s state-driven economy presents to international economic relations based on liberal values. While the Trump administration was wrong to bring the WTO’s dispute settlement understanding to a halt by blocking the appointment of new judges to its appellate body, finding the necessary consensus for reform will take time.

One avenue to accelerate progress would be for the U.S. to complement multilateral diplomacy within the WTO with efforts at the bilateral level with the European Union. As China is unlikely to agree to reform unless it sees itself becoming an outsider in international economic relations, a large coalition of the willing in favor of open and progressive trade rules spearheaded by joint U.S.-EU economic statecraft could create leverage for success within the WTO.

The timing may be auspicious for such transatlantic economic diplomacy. There are signs that the EU is becoming more flexible in the tools it is willing to use to support a high-standard, rules-based trading order. The European Commission has proposed a new enforcement regulation aimed at strengthening the effectiveness of the WTO that demonstrates a more assertive approach to advancing its members’ global economic interests.20 Together, the U.S. and the EU—joined by Japan—should take their trilateral efforts begun in 2017 a step further and develop new trade rules and enforcement measures for issues like state-owned enterprises and industrial subsidies that would serve as a vanguard for action by the broader WTO membership. They could also focus on a common approach to export controls and to screening foreign investment.
Getting the Ambition Right: Trade Policy and Domestic Policy

Finally, times have moved on and it should be clear that a new U.S.-EU Strategic Economic Agreement would not simply be a resurrected TTIP. While some elements of TTIP should be kept—e.g., its high environmental, labor, and consumer protections—others can be left out of the SEA, such as investor-state dispute settlement (where the EU has already embedded a model distinct from the U.S. one in its trade agreements) and aligning regulations in sectors where strong cultural preferences exist (for example, in food safety). It may also not be possible to include all aspects of agricultural trade. While the SEA does not have to be as comprehensive as TTIP it should still aim to conform to WTO Article XXIV, which requires free trade agreements to cover “substantially all the trade” between the parties.

Through closer cooperation with Germany and the European Union, a new Safe Trade agenda can promote economic growth to lift the country out of the crisis, boost resilience by diversifying U.S. economic relationships, and advance U.S. strategic interests and liberal values. But as important as this agenda will be, it will also be essential for the next president to recognize its limitations. Trade policy is neither the main cause of nor the remedy to many of the most urgent economic challenges the country faces. Whether it is reducing inequality, preparing the workforce for the age of artificial intelligence, or mitigating climate change, these are issues where domestic policy needs to step in.

2 The Milan city government has already announced steps to reduce the use of cars by narrowing traffic lanes and adding bike paths. See Laura Laker, “Milan announces ambitious scheme to reduce car use after lockdown,” The Guardian, April 21, 2020.
4 “Independent monitoring of policies that affect world commerce,” Global Trade Alert, https://www.globaltradealert.org/
11 The WTO reported on April 22 that 80 countries or territories had export restrictions in place, mostly on PPE but also on sanitizers, disinfectants, and pharmaceuticals. See “Export Prohibitions and Restrictions: Information Note,” World Trade Organization, April 23, 2020.
14 Victor Mallet and Roula Khalaf, “FT Interview: Emmanuel Macron says it is time to think the unthinkable,” Financial Times, April 18, 2020.
18 Japan and other countries in Asia are already offering such subsidies. See Isabel Reynolds and Emi Urabe, “Japan to Fund Firms to Shift Production Out of China,” Bloomberg, April 8, 2020.
19 See, for example, German Economy Minister Peter Altmaier’s 2019 paper “National Industrial Strategy 2030;” Federal Ministry for Economic Affairs and Energy, February 2019.
THE RUSSIAN FACTOR

STEPHEN F. SZABO

Key Recommendations

- Washington and Berlin should establish a joint working group to develop and coordinate a joint approach toward Russia.

- The United States should engage more with Germany to continue to enhance its defense capabilities. To that end, Germany should support the recommendation of Minister of Defense Annegret Kramp-Karrenbauer to modernize its fighter bomber fleet by purchasing F-18s from the U.S. to replace its aging Tornado fighter.

- The U.S. should extend the START treaty for a minimum of five years and engage with Russia in talks to deal with the new nuclear situation in Europe.

- On the Nord Stream 2 pipeline, the U.S. should accept that the project is operational, drop the threat of sanctions, and withdraw those now in place on NS2. Washington should leave the details of the regulation and operation of the pipeline to German and European regulators to work out.

- The hybrid war tactics pursued by Moscow in the West have to be severely restricted. Either there is an agreement with Russia for mutual constraint or there should be the threat of aggressive countermeasures to be taken by the West which go beyond defensive tactics to active measures in Russia and against Russian institutions themselves.

Russia has been at the center of the German-American relationship since the founding of the Federal Republic in 1949. The Cold War was essentially a contest between the Soviet Union and the United States about the future of Germany and its place in the European balance of power. The close transatlantic partnership of the Cold War clearly changed with the end of the USSR and the Warsaw Pact, but Russia has remained a central policy concern despite the decline in the security relationship as indicated in the Trump administration’s National Security Strategy document, which lists China and Russia as the two main threats to the U.S.1 While the Berlin Wall is a distant memory, Germany remains the key player in shaping and directing Russia policy in Europe. Chancellor Angela Merkel opposed the George W. Bush administration’s proposal to enlarge NATO to Georgia and Ukraine; however, during the Ukraine crisis, the Obama administration left leadership in the crisis to Berlin. Merkel has continued to lead the European response to Russian aggression and has held the EU together on the sanctions regime, despite the heavy cost to German economic interests. However, the construction of the Nord Stream 2 gas pipeline between Russia and Germany, circumventing transit routes in Ukraine and Poland, has
become a central point of dispute between Washington, Brussels, and Berlin.

The consequences of the upcoming elections in the U.S. and Germany will be momentous for the future of what will remain a key dyad in global and European politics. As in most policy areas, the discontinuities on Russia policy are greater on the American side than in Germany. The Trump administration has introduced a radical shift in the American approach toward Putin's Russia, going from the containment policy at the end of Obama's term to a confusing and inchoate combination of subservience and resistance, including dangerous ambivalence about the American commitment to Article Five of the NATO treaty. Beyond the confusion and incoherence of the Trump Russia policy lies a strategic core based on the American president's transactional view of the world. In many respects Trump and Putin have a similar zero-sum world view regarding politics and economics as based on a struggle for dominance in which the strong survive and the weak acquiesce. Allies are regarded as a drain and a constraint on American policy, perceived as taking advantage of American power and largesse.

Under Trump, Russia has become a key source of partisan polarization in American politics with gaps between Republicans, who now tend toward a more favorable view of Russia, and Democrats, who deeply resent the continuing interference of Russia in American politics and the electoral process. While Trump continues to value his personal relationship with Putin, Congressional Republicans have been more reserved and continue to support sanctions on Russian elites and against European and Russian companies engaged in the Nord Stream 2 gas pipeline project.

Where Trump 2.0 will go on Russia is difficult to predict, but it seems likely that the president, while free from the constraints of seeking another electoral mandate, will continue to be hampered by resistance to a more accommodating approach by Congress and what will remain of the U.S. foreign policy establishment, call it Deep State or the Blob. Much will depend on the size of his mandate. If he wins big, then the Russia factor and the legitimacy of his victory will not be an issue. However, if he again is elected by a thin margin in the Electoral College and loses by a large gap in the popular vote, then he will be greatly constrained on Russia. The result will be a policy of fits, starts, and contradictions. There seems little reason to believe that he will lessen his critique of Europe and Germany and will continue to press Germany to buy American energy and push ahead with sanctions on NS2. His position on Ukraine will continue to be transactional and resentful. In short, more of the same: Trump in the U.S. and a CDU-led government in Germany, first with Merkel and then her successor, but now in an increasingly damaged relationship with diminishing trust.

While it was Joe Biden who announced a reset in the Russia-America relationship in February 2009 as vice president (at the Munich Security Conference), a President Biden will not be talking about resets. He will not forget Russia's attempts to undermine him, his son, and his party. The tone of U.S. Russia policy in both the White House and Congress will become even more critical. Candidate Biden has already voiced his strong support for the new government in Ukraine and has called for Russia to end the conflict in eastern Ukraine. He is likely, in contrast to the Obama years, to continue arms support for Ukraine.

However, a Biden presidency will try to reestablish a good working relationship with Germany and Europe and the tone will markedly improve. As Candidate Biden wrote in a recent article in Foreign Affairs, "I will take immediate steps to renew U.S. democracy and alliances. [...] NATO is at the very heart of the United States national security, and it is the bulwark of the liberal democratic order." Regarding Russia, "To counter Russian aggression, we must keep the alliance's military capabilities sharp while also expanding its capacity to take on nontraditional threats [...] we must impose real costs on Russia for its violation of international norms and stand with Russian civil society."

Biden has also made it clear he favors a renewal of the START nuclear arms control agreement before it expires in February 5, 2021, and will "use that as a foundation for new arms control arrange-
ments.” This will require a delicate balancing act between Democratic anger at Russia’s continued interference in American domestic politics and a realism about the need to work with Russia in some areas of mutual interest. An open question is how the new team would deal with the end of the INF treaty on intermediate nuclear forces in Europe. The Obama administration had declared the Russians in violation of the treaty, but it is unclear whether Biden would try to revive the treaty as a means of calming allied concerns or pursue talks on intermediate-range weapons with Russia (and possibly with China).

A big question will concern sanctions policy on Russia. The Biden campaign’s position on sanctions states: “that the United States and Europe must ‘impose meaningful costs’ on Moscow. Biden touts the sanctions the Obama administration levied against Russia after its 2014 invasion of Ukraine and says they should be continued and expanded as necessary.” Congressional Democrats have supported Nord Stream 2 sanctions and are likely to favor a much tougher policy toward Putin’s regime both on geopolitics and on human rights. How the Biden administration balances this with its need to renew its relations with Germany will be a big test. Although the NS2 pipeline likely will be in operation in January 2021, a Biden administration would emphasize a more clearly strategic rationale based on concerns of German and European dependence on Russia than the Trump commercial rationale that Germany should buy LNG from the U.S. rather than deal with Gazprom. A return to an American policy of promoting human rights and democracy as well as to the Paris Climate Accord would also carry weight with the Greens and parts of the CDU.

On the German side, Angela Merkel has been the key leader in shaping the German and Western response to Russian aggression in Ukraine. Given her biography as someone who grew up in the German Democratic Republic, she has been well placed to understand and to counteract the tactics and thinking of a former KGB operative turned president of Russia. Had Gerhard Schröder been chancellor during this period, German policy would have been much more accommodating to Russia. He continues to argue for the lifting of Western sanctions today, now throwing in the COVID-19 pandemic as a reason to cooperate more with Russia. With the departure of Merkel from the Chancellor’s Office at the end of 2021, the question of who will guide Russia policy will be crucial. Assuming a CDU/CSU government led by either Armin Laschet or Markus Söder, it seems likely that pressure to further ease tensions with Russia will grow. While the Social Democrats will be out of government and the Greens, who are the most likely coalition partner, are more critical of Russia on both human rights and energy policy grounds, the pressures from German business and from within the EU are likely to result in an easing of sanctions without any real change in Crimea and the Donbas. If the alternative coalition of SPD, Linke, and Greens prevails, then an even softer Russia policy is likely, despite the views of the Greens on Russia.

The Nord Stream 2 pipeline likely will be operational, but the oil and gas market in the COVID-19 era is likely to be depressed—with major implications for the Russian economy. While German business interests will push for an easing of sanctions, there is little prospect for major investments in Russia in this new economic environment. Putin has not undertaken economic reforms and Russia’s overwhelming dependence on energy exports has become a major vulnerability. Russia remains an unpredictable and corrupt place for Western investors and any return to a version of the Modernization Partnership of the Steinmeier era is highly unlikely. Economic interests will only come to overpower political enmity if there are serious reforms in Russia. The American LNG option in this new environment will not be a viable alternative as the shale oil market has collapsed. Nord Stream 2 will be the safest and most reliable alternative but may over time become increasingly irrelevant. As Thane Gustafson concludes in his new major study of European gas markets, “while the gas bridge may continue to provide a stabilizing force between Russia and Europe […] Will the politics of climate change cause it to be downgraded? How long before technology makes it obsolete?”
The new German government will also face more pressures from its European partners to relax tensions with Russia. Anger has receded with passing time. President Emmanuel Macron of France has already begun to push for a new relationship with Russia and will be joined by Italy and other EU member states. The departure of the UK from the EU will also weaken resistance to Russia. The German-Polish relationship will be less of a check given the growing rift between the two countries over its growing illiberalism and the decline of Polish influence in the EU. Any German government is unlikely to support NATO enlargement to Ukraine or Georgia which could lead to disagreements with a Biden administration.

Russian leaders have lost credibility with their German counterparts given the brazen lying and assassinations in Germany and Europe. The Russian role in Syria, in particular, is seen as destructive. Russia, however, is now a bigger player in both Syria and Libya than the U.S., which means Germany has to deal with Moscow on this region. The new German chancellor, be it Laschet or Söder, will have little experience in dealing with Russia and will have to go through a long learning process with the prospect of making naïve mistakes and miscalculations. The other candidate, Friedrich Merz, is a strong Atlanticist but has also taken a softer line on Russia, urging a closer relationship with no mention of the situation in Ukraine. He seems to favor the Macron line on Russia. Merz’s strong focus on economics and promoting German business clearly plays a role in his approach toward Russia. Only Norbert Röttgen has the necessary foreign policy experience—although seems unlikely to win the competition for chancellor candidate. He would make an excellent foreign minister and is the most likely of this group to try to continue with the Merkel policy and has been critical of the Nord Stream 2 pipeline and especially of Putin. His comments on the Russian role in Syria and his critique of the Macron position are telling: “it is just wishful thinking to have a better relationship despite the fact that Vladimir Putin is demonstrating every day and now by committing war crimes in Idlib that he doesn’t care […] then I think it will remain wishful thinking which [is not] a strong foreign policy.”

The German public has become more unmoored in its thinking about Germany’s relations with both Washington and Moscow. The Körber Foundation poll taken at the end of 2019 found that the German public placed Russia behind France, the U.S., and China as Germany’s most important partner, with only 12 percent listing it as the first or second most important partner compared to 42 percent listing the U.S. However, 66 percent wanted more cooperation with Russia compared to 50 percent saying that about the U.S. The reservoir of trust in the United States has been badly damaged by the Trump years and has undermined the idea of American exceptionalism, a trend reinforced by the disaster of the American response to the COVID-19 pandemic. This is especially the case with Germans living in the former East Germany who feel they know Russia better than their Western compatriots and to whom the U.S. is very far away. Both the Alternative for Germany (AfD) and Linke remain pro-Russian parties. As one German diplomat put it, this is likely to result in a search for a new equilibrium rather than equi-distancing, and this will be based on less reliance on the U.S. but not necessarily more on Russia. The strategic weight the U.S. has provided to Germany’s dealings with Russia is now substantially less reliable, leaving German leaders in a weakened position when they meet with Putin. The approach of balancing détente with defense is now in serious imbalance.

A Biden presidency would certainly restore some of the lost trust, but the polarization of American politics will continue to make Germans wonder how reliable a partner the U.S. will be. All this matters less than during the days of the Cold War; Berlin is not the epicenter of global politics. While Russia will be an important mutual policy concern, it is likely to be dwarfed by the rise of China and its challenge to the West. This challenge will force the U.S. and most of its partners to make a choice about which country needs to be balanced, as strategic logic would argue that it would be disastrous to try to confront both as allies. This was a lesson learned by the Nixon and Carter administrations, which exploited the Sino-Soviet conflict with the normalization of relations with China. If Russia is the lesser threat and not a peer
competitor, then some sort of lessening of tensions with Moscow might be necessary to deal with the bigger challenge posed to the West by China.

RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT

The new administration and the new German government should agree that a common German-American Russia policy is indispensable for both nations and for the larger NATO alliance. Without agreement between Washington and Berlin, Russia will exploit and deepen divisions in the West and harm American and German key national interests. The two governments should emphasize that the old NATO strategic concept of a combination of defense and dialogue remains valid as the foundation for a common approach. Washington and Berlin should establish a joint working group to develop and coordinate a joint approach toward Russia, which will lower to the extent possible the level of rhetoric and confrontation and work on areas of common interest. This group should be located in the National Security Council staff and in the German Chancellor’s Office.

In regard to the defense side, the United States should engage with Germany to continue to enhance its defense capabilities and to the continuation of the stationing of American nuclear weapons in Germany. This is important for NATO cohesion and dealing effectively with Russia. To this end Germany is moving to modernize its fighter bomber fleet by purchasing F-18s from the U.S. to replace its aging Tornado fighter. This will allow Germany to continue to reinforce nuclear deterrence and to have a voice in NATO nuclear strategy in face of the rapid and aggressive modernization of Russian intermediate range nuclear forces. This has to be done despite the pressures to reduce defense spending given the fiscal impact of the COVID-19 pandemic. The American emphasis on increased defense burden sharing will not diminish no matter who is in the White House.

On the dialogue side, the U.S. should extend the START treaty for a minimum of five years and engage with Russia in talks to deal with the new nuclear situation in Europe. From the U.S. perspective, China is now the main strategic challenge and it is important to avoid simultaneous confrontations with both Russia and China. These discussions should include the option of dismantling U.S. anti-missile systems currently deployed in Europe, which are clearly seen as a strategic threat by Moscow.

On the Nord Stream 2 pipeline, the U.S. should accept that the project is operational, drop the threat of sanctions and withdraw those now in place on NS2. Washington should leave the details of the regulation and operation of the pipeline to German and European regulators to work out. Given the uncertainties of the oil and gas market in the wake of the COVID-19 pandemic and resistance within the EU to NS2, the future of the project should be left to market and political forces in Germany and Europe. Continued U.S. sanctions will only push Germany closer to Russia.

On Ukraine, a second Trump term will be a real threat to the viability of the sanctions regime established by Chancellor Merkel. The new German government will have to find a new consensus within the EU on the level of sanctions combined with assistance to Kiev and do what it can to avoid the isolation of President Zelensky. If there is a Biden presidency, then Berlin will have a partner in
Washington and should continue to hold the sanctions regime and aid Ukraine. There is the bigger issue of whether to cut a deal with Moscow to take NATO membership for Ukraine and Georgia off the table in return for a settlement on Ukraine. This is an option to be seriously explored between Washington and Berlin.

The hybrid war tactics pursued by Moscow in the West have to be severely restricted. Chancellor Merkel took the extraordinary step of publicly rebuking Russia in May with “hard evidence” that Russian forces were behind a hack of the German Bundestag, including her personal emails, calling it “outrageous.” In her words, “On the one hand, I try to improve relations with Russia on a daily basis, and when then, on the other hand, we see that there is hard evidence that Russian forces are operating in such a way, then we are working in a field of tension, which is something that—despite the desire for good relations with Russia—I cannot completely erase from my heart.”

Either there is an agreement with Russia for mutual constraint or there should be the threat of aggressive countermeasures to be taken by the West which go beyond defensive tactics to active measures in Russia and against Russian institutions themselves. It should be made clear to Moscow that assassinations or other acts of violence initiated by Russia in the West will be met with severe responses including the downscaling of diplomatic and economic relations. In any case, both Germany and the U.S. need to increase their efforts to combat Russian criminal and other corrupt networks and activities in the West, especially in Germany.

While these measures will ease tensions with Moscow, the U.S.-German relationship will be in a new post-Trump era, with or without Trump. Trust in the United States in Germany is unlikely to recover the way it did in the Obama presidency. Russia policy will be more fluid and less predictable in both Washington and Berlin, and Russia itself will be more unstable and possibly more dangerous in the post COVID-19 period. All of these challenges will have to be met by a new generation of leaders in Berlin and Washington. They are more likely to be successful if they are confronted together.

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2 “Why America Must Lead Again,” Foreign Affairs, March/April 2020, pp. 65, 73.
3 Ibid., p. 73.
4 CFR Tracker Candidate: Joe Biden.
IS A COMMON NATO VISION STILL POSSIBLE?  
STRENGTHENING THE ATLANTIC ALLIANCE  

GALE A. MATTOX

Key Recommendations

- Maintain the European Deterrence Initiative (EDI), Enhanced Forward Presence, and other regional reinforcements as well as sanctions to deter Russia in the Baltic region.
- Balance the intense focus on 2 percent spending and work as an alliance to ensure progress on outputs and capabilities to assure a resilient and effective NATO force.
- Discuss within NATO the potential security challenges posed by China’s Belt-and-Road Initiative as the influence and dependence on China grows on the European continent.
- Work with international partners to secure a long-term funding instrument for Afghanistan in the context of any drawdown or withdrawal of international forces.
- Improve NATO pandemic and biological warfare preparedness, in order to support civilian authorities and maintain the ability of military forces to operate in any future occurrence.

The United States’ political and military alliance with Europe is one of America’s most valuable security assets and has been a pillar of American policy for over seven decades. U.S. leadership within the North Atlantic Treaty Organization (NATO) has been lacking over the past several years, even as NATO allies’ threat perceptions and security policies are in many cases diverging. In the ten years since NATO adopted its Strategic Concept at the Lisbon Summit, there have been tremendous changes globally and regionally which have heightened the threats to NATO members and partners. The alliance has stepped up its activity and its defense investment since 2014, but it needs to do more to ensure it responds appropriately to current and emerging threats. It is in the interest of the U.S. to reinforce relationships with allies in the context of NATO and to strengthen the alliance. Germany is central to achieving America’s NATO objectives, and whichever administration takes office in January 2021 should concentrate on constructing an effective policy with Germany in key roles.

NATO Secretary General Jens Stoltenberg established in March 2020 a Reflection Process “NATO 2030” as a means to assure NATO is more resilient and to enhance its ability to deal with future challenges. There could not be a more appropriate time for the U.S. to consider the way forward for NATO. With former U.S. Assistant Secretary of State Wess Mitchell and former German Minister of Defense Thomas de Maizière as co-chairs, the Reflection Process opens an avenue for the U.S. to reassess its priorities and assume a more future-looking leadership role within the transatlantic alliance. The initiative came in the aftermath of French president...
Emmanuel Macron’s November 2019 comment that NATO was “brain-dead.” The newly appointed Reflection Process members are expected to propose “recommendations to reinforce Alliance unity, increase political consultation and coordination between Allies, and strengthen NATO’s political dimension.” The report will then be presented to allied leaders in 2021.

Over the past several years, the U.S. and its allies have shifted from a focus on terrorism post-9/11 to a concern over a great power competition with China and Russia. That shift has been accompanied by a general decline in allied collaboration and consultation, particularly in recent years. Examples abound: in June, the U.S. announced that it would reduce its troop presence in Germany by 9,500, capping overall numbers at 25,000—unexpectedly for Berlin. Most strikingly, U.S. consultation and leadership with allies in critical areas—i.e., arms control with Russia; trade issues and agreements with China—have been absent despite its own declared and clear concern over the challenge from China and Russia.

But the need for U.S. leadership on economic issues and security policy on China has been even broader. Europe has shown interest in playing a larger role, particularly with respect to China after decades of deference to the U.S. on policy in Asia and the Pacific Rim. In 2016 Germany participated for the first time in the U.S. Rim of the Pacific (RIMPAC) biannual exercise—the world’s largest maritime exercise—and has continued its participation, including in 2018 when China was uninvited due to its activities in the Spratly Islands, South China Sea. At the same time, the U.S. has failed to take a leadership role in crafting a cohesive transatlantic or Western response during the 2020 pandemic. With the rise of authoritarianism and the far right in Europe, it is vital that the Alliance remains rooted and clear in its global identity as a community of shared democratic values and governance, rule of law, and human rights. The U.S. and its allies must stand together in making those values clear—not just unilaterally, but as an alliance acting multilaterally.

There are shorter and longer term issues confronting NATO where stronger U.S. leadership is needed: a Resurgent Russia, Sharing the Burdens and Risks of Transatlantic Security, a Rising China, Afghanistan on the verge of withdrawal, and the COVID-19 pandemic, as discussed below.

### RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT

#### A Resurgent Russia?

**Maintain the European Deterrence Initiative (EDI), Enhanced Forward Presence, and other regional reinforcements as well as sanctions to deter Russia.**

In the 2017 U.S. National Security Strategy Russia and China replaced terrorism as the top challenges for United States security. The challenges each pose are clearly different and require varied responses. Russia’s annexation of Crimea and involvement in eastern Ukraine, dangerous and provocative activities in the air on NATO allies, its arms build-up along the border with NATO (including installation in Kaliningrad of the Iskander M [9K720 Russian designation/ Stone SS26 NATO designation] beginning as early as 2010/117), military buildup in the Arctic, disinformation and cyber-enabled political interference across the continent and during U.S. elections, and blatant violation of the U.S.-Russian INF Treaty are some of the challenges creating tensions between NATO allies and Russia.
NATO has sent a strong response. The NATO Enhanced Forward Presence (EFP) deployed in four battalion-sized multinational battle groups to Lithuania, Latvia, Estonia, and Poland in reaction to the Ukrainian conflict and annexation of Crimea is explicitly a deterrent response to threatening Russian movements in the region.\(^8\) The framework nations for the rotational battle-groups—Germany, Canada, the UK, and the United States, with approximately sixteen additional NATO member forces—reinforce the deterrent to the Russian threat with approximately 4,750 troops. In 2014 President Obama delivered Article 5 reassurances to the Baltic states. At the beginning of President Trump’s administration, despite tense relations over the 2 percent GDP “hurdle” agreed at the 2014 NATO Wales summit, the U.S. increased defense funding in the region albeit cut funding for 2020. Despite strong criticism by the current administration over NATO members not meeting the 2 percent guideline in recent years, the U.S. Congress demonstrated strong support with the standup of a bipartisan Senate NATO Observer Group, and an invitation to Secretary General Jens Stoltenberg to address a Joint Meeting of the U.S. Congress.\(^9\) The coordination for the nations leading and participating in the EFP has strengthened NATO on the ground and should continue.

Other issues raising tensions with NATO members have included Nord Stream I and II, increasing cyberattacks, hybrid threats, a suspected spread of disinformation by Russia, and growing nervousness in the Baltics, Balkans, and Arctic over Russian intentions. Most recently, Russia has asserted itself in the Middle East and North Africa through interventions in Syria and Libya.

European approaches to Russia break along geopolitical lines depending on the perceived threat from Moscow. Russia has undergone a significant military modernization that would be difficult for the current NATO deterrent efforts in the Baltics to halt, not to mention that members in the South do not broadly share the sense of threat from Russia. But to date there has been a commitment to maintain the deterrent. The European Deterrence Initiative (EDI), Enhanced Forward Presence, and other regional reinforcements as well as sanctions to deter Russia should be maintained collectively. Any unilateral pull-back would undermine the deterrent value of the NATO and in-country forces.

This deterrent coupled with diplomacy could lead to greater stability in the NATO/Russia space. Most effective would be to engage Russia on specific issues, an approach that yielded results with the Russians in the past. This could include an agreement on Ukraine (Minsk III) with Russia that has U.S. support and involves close consultation with the European members to the agreement.

An approach to initiate talks on the New START agreement could begin with a cessation of new construction and testing verified by each side. The talks should not necessarily include China to the point that they stall, as has been suggested. An extension of the New Start agreement could bring arms control back on track, avoid a dynamic leading to new weapons systems with uncertain effects on stability, while reinforcing extended deterrence for Europe. This will require close consultation with the Europeans, so it will be important to work at political levels with the allies to address Iranian behavior in an approach that will halt the buildup of missile capabilities and destabilizing activities in the Middle East. While this would require returning to the negotiating table, it could also result in the important curtailing of nuclear proliferation. The devastation of the pandemic coupled with the return to the final sanctions on Iran should have left the P-5 plus Germany with leverage to work with Iran and find common ground with Europe that had been lost.
Sharing the Burdens and Risks of Transatlantic Security

Balance the intense focus on 2 percent spending and work as an alliance to ensure progress on outputs and capabilities to assure a resilient and effective NATO force.

What many have forgotten is that the 2 percent of GDP defense spending target agreed at the 2014 NATO summit in Wales was not the first time the alliance had made commitments to increase defense spending. NATO had an unofficial target during the Cold War of spending 3 percent of GDP on defense, and at a 1979 summit agreed to raise overall spending by 3 percent, an increase that was never met.¹⁰

At the 2014 summit, the need for a heightened posture of deterrence and defense in the Baltic region had grown with the Russian annexation of Crimea and involvement in eastern Ukraine. The benchmarks for a 2 percent annual GDP commitment were replaced by a more formal agreement, albeit still a guideline, “to move towards 2 percent” GDP by 2024, toward NATO Capability Targets while also spending 20 percent on defense investment. While nine member countries reached the 2 percent guideline in 2019, nearly two-thirds of the allies did not. Germany, in particular, has been the focus of persistent criticism by the U.S. for falling short of the 2 percent target and only planning to reach 1.5 percent of GDP by NATO’s 2024 target, creating rising tension not only within NATO, but tension on a wide range of issues.¹¹ The Stockholm International Peace Research Institute reported that Germany has increased military spending more than any other country year by year,¹² but fallen short of the 2 percent it has promised, but only by 2031.

An approach to this source of tension could be to balance the intense focus on 2 percent, which is an input measurement with broad bipartisan support in the U.S., and work as an alliance to ensure progress on outputs—specific key capabilities needed urgently by the alliance. This would focus NATO on the outputs needed for a resilient and effective force.

In this way, the U.S. could work with Germany and key allies to create specific capability requirements to ensure that major allies are contributing substantially to the most important military capabilities for transatlantic security and for their own national contributions to security. This can include Germany’s role as a logistical and transport hub for the alliance (and for the U.S. in its presence in Europe). It could also include Germany finding new ways to strengthen alliance security, perhaps through assistance to frontline states to support the strengthening of their national defense capabilities.

Germany has pioneered the practice of reaching across borders to enhance both another ally’s defense and German defense needs. In 2018 Germany and the Netherlands created the first joint military network “Tactical Edge Networking” (TEN) where the two countries share computers and connectivity. The two also cooperate on land forces and naval elements, setting a model for European security. Germany has reached out to Poland and Romania in first steps for additional cooperation, a model attractive for many other NATO members. Germany can be a catalyst within NATO for other countries to increase the resilience of the alliance working together while at the same time using resources smartly.¹³
A Rising China

The Chinese Belt-and-Road Initiative poses a security challenge that should be discussed within NATO as the influence and dependence on China grows on the European continent.

The United States as a Pacific Rim power has always focused on the full spectrum of Chinese activity; for most NATO allies, China’s impact on transatlantic security is a more recent issue, but growing in importance. At the NATO London 2019 leaders’ meeting, the topic of China captured a higher level of attention than in the past. The focus was both on the “growing influence as well as opportunities and challenges” of China and “facing those challenges […] together as an Alliance.”\(^{14}\) While clarity on a coordinated approach with China did not emerge, the declared focus was collaboration in dealing with this growing Asian power, a power changing the “global balance of power” as Secretary General Stoltenberg has remarked.\(^{15}\)

In areas where other institutions do not have a formal role, the U.S. and Germany should consider how NATO could assume responsibility in assessing the potential risks of foreign direct investment that affect security or industries and infrastructure with strategic significance. This would help create transatlantic principles and guidelines for matters that impinge directly on security, and could forge a more coordinated U.S. collaboration with Europe regarding China policy. NATO can strengthen the policy framework of its member states through sharing classified assessments and supporting effective policies that address specific risks. There has been an increase in European membership of traditionally Asian institutions at staff levels and even between policymakers, albeit often with mixed outcomes. Solid NATO-Chinese relations will be more successful pursued with the experience garnered by the United States over many decades.

Moreover, rather than the European members separately approaching China to encourage acceptance of the elements of a liberal order, democratic values, intellectual property, and, importantly, human rights, a coordinated Alliance position would have greater impact. Strong Allied coordinated NATO positions would prove far more successful in resolving disputes with China. In a recent talk by Stoltenberg, he mentioned the importance of working with the democracies Australia, Japan, South Korea, and New Zealand in launching the Reflection Process “NATO 2030.” For the last ten years, Germany has reached out to China. In fact, within Europe Germany had struck a “comprehensive strategic partnership with China” and became its leading trading partner in Europe and boasted a trade surplus. This makes it a natural to lend its experience to the Alliance in navigating the issues that create tensions,\(^{16}\) not least of which is the rapid buildup of militarized islands.

In this past year’s U.S./European disagreement over the threat to member nations’ security, the sales of 5G technology from Huawei to allies would have been better approached had the United States been able to provide an alternative acceptable 5G for use across the alliance, avoiding both potential security shortfalls while at the same time broadening interoperability across NATO. Belatedly the 2019 London Declaration attempted to address the issue: “NATO and Allies, within their respective authority, are committed to ensuring the security of our communications, including 5G, recognizing the need to rely on secure and resilient systems.”\(^ {17} \) Based on decisions taken by individual allies, this is likely not to resolve the issue.

Finally, the Chinese Belt and Road Initiative (BRI) has indebted countries along the road through Europe in ways that have the potential to challenge not only the economic and political aspects, but
also the security of the allied countries. The security challenge is an issue which must be addressed and dealt with by NATO as the influence and dependence on China grows on the continent. In Germany, Duisburg has proven highly attractive as a hub for the Chinese with a harbor on the Rhine River, trains north/south and east/west, and excellent highway access. But what will be the Chinese impact? Their influence has already grown in the region. J. Smith and T. Taussig have suggested that the U.S. and Europe work together with Germany. Since China is both an important market and a systemic rival, the issue for NATO is how to design a security strategy that integrates both dimensions.

Afghanistan: On the Verge of Withdrawal

The United States and Germany should work with international partners to secure a long-term funding instrument for Afghanistan in the context of any drawdown or withdrawal of international forces.

The longest conflict in U.S. history, Afghanistan may prove a close second after the COVID-19 pandemic in issues that require solutions in the short term, particularly in concert with the NATO Resolute Support coalition. The U.S. administration has made it clear that a withdrawal of troops if not in total, then a substantial pullback from today’s over 8,400, is desired. But recognizing that until an agreement is reached between the Taliban and the Afghan government, stability for the region will be difficult. The U.S. election has become a factor in the decision whether to continue the coalition presence in country and what size that force might be. The Europeans have voiced their ire over not being included in U.S. decisions on troop withdrawals and have repeatedly said that if the U.S. withdraws, they will also withdraw. The consequences would be serious for stability in Afghanistan.

Continued backing of the co-presidents Ashraf Ghani and Abdullah Abdullah government after troops are withdrawn is critical to maintain allied home support and funding. To deter the Taliban and other terrorist threats, a dual approach would foremost post trainers to work with Afghan military and police reinforced by designated NATO military funding and equipment. At the same time, allied domestic backing could only be assured with outreach to Afghan civil society on issues of good governance, rule of law, educational outreach (including to women/girls), and basic food and supplies, to mention only a few basic needs. Above all, there would need to be a clear sense of future stability that could attract refugees to return to assist in the vital rebuilding of the society.

The United States and Germany should work with international partners to secure a long-term funding instrument for Afghanistan in the context of any drawdown or withdrawal of international forces. For a successful withdrawal and stable Afghan government, the planned Geneva conference in the late fall 2020 along the lines of the earliest meeting in Bonn in 2001 will be important. Only with a longer-term funding source for Afghanistan will the country thrive after a transition and withdrawal of forces. Improved consultation between the participating allies will be an important factor for future transatlantic cooperation and support for a successful transition in Afghanistan.

Furthermore, a coordinated and agreed development plan for both nongovernmental and governmental assistance will be an essential element in any drawdown or pull-out. Finally, for the post-conflict era, a funding mechanism will also be necessary for the future—led by the United States in close coordination with coalition allies.
COVID-19 Pandemic

NATO should improve its pandemic and biological warfare preparedness, in order to support civilian authorities and maintain the ability of military forces to operate in any future occurrence.

The COVID-19 pandemic caused more than 275,000 deaths in NATO member states as of June 2020. NATO has institutional crisis-response capacity and resources that can support civilian authorities in public health emergencies, but these need to be improved, including facilitating coordination among NATO allies and partners regarding national stockpiles and policy coordination where military infrastructure can assist members, partners, and others to combat the coronavirus.

To address the devastation any pandemic could cause to the civil as well as military domains will require substantial international/allied collaboration. The NATO Euro-Atlantic Disaster Response Coordination Centre flew impressive numbers of supply airlifts, constructed field hospitals, and undertook other cooperative efforts, but given the magnitude of the recent pandemic, deployments will need to occur immediately and more resources committed should an anticipated second wave occur. A basic structure is there, but must be developed further with greater participation across the Alliance, including with the U.S. for future pandemics. Clear, concise Standard Operational Procedures (SOP) need to be ready to assure future reactions are timelier and more effective, particularly in the event of a military attack.

Given the devastation of COVID-19, NATO needs to be prepared for the potential that an enemy source could undermine NATO militaries through the purposeful use of a biological, viral, or other silent destruction measures that could threaten allied security, an area that has not received adequate attention.  

Conclusion: New Directions for “NATO 2030”

The NATO Reflection Process offers an opportunity to build on over seventy years of collaboration between allies who are facing potentially greater challenges currently than those of the Cold War. At the same time, it gives the U.S. space to return to a leadership role within an Alliance that invoked Article 5 of the Washington Treaty after the 9/11 terrorist attacks to defend Americans. Up to fifty nations—allies, partners, and supportive U.S.-friendly nations—joined the Afghanistan coalition in support of the U.S. Many of those allies also joined the conflicts in Iraq, the Balkans, and Libya. Meanwhile NATO established an Enhanced Forward Presence in the Baltic region as a deterrent force after the Russian annexation of Crimea, conflict in Ukraine, and uncertainty in the Baltics. But COVID-19 has put a new security threat in stark relief, markedly with respect to China as the presumed site of the coronavirus’ inception. But even more, in the vacuum created by the lack of U.S. leadership in the face of the spreading pandemic, the previously presumed resilient alliance has appeared dangerously unprepared for COVID-19. In what became a pandemic, nations that had exercised and operated together on so many levels over so many years, retreated to their national structures to deal with the “silent monster” of the coronavirus.

The year ahead presents the United States with challenges as well as opportunities. Further enlargement, other nontraditional security threats such as climate change that could prompt national disasters with dangerous security consequences loom. The lack of cooperation on solutions for the
Western Balkans portend a collapse in a region where NATO has enlarged recently into Montenegro and North Macedonia. The area is fragile and becoming less stable. The challenges noted above—Resurgent Russia, Sharing the Burdens and Risks of Transatlantic Security, A Rising China, Afghanistan: on the Verge of Withdrawal, COVID-19 Pandemic—are now recognized as serious threats. This year a “non-traditional threat” has killed more Americans than the terrorists in the 9/11 bombings and the conflicts in Iraq, Afghanistan, and Vietnam together. The United States was caught unaware of the pandemic and its leadership in the alliance sorely lagged as it struggled nationally to outfit its hospitals and cure its populations to avoid what became a staggering number of deaths. It is in U.S. vital interests to take greater leadership in NATO deterrence and defense, but also in diplomacy in a multilateral context. These interests have always been high priorities for Germany as well.

The Reflection Process “NATO 2030” has an opportunity to provide a road map for its members to address future security challenges and a way forward to prepare for those challenges. NATO needs to regain and strengthen a common vision, one in which the U.S. plays a major role with its allies in a coming new world order.

The views expressed are strictly those of the author and do not reflect the views of any U.S. governmental affiliation or institution.


2 Secretary General appoints group as part of NATO Reflection Process,” NATO Homepage, March 31, 2020.

3 Also appointed to the committee are Greta Bossemaier (Canada), Anja Dalgaard-Nielsen (Denmark), Hubert Védrine (France), Marta Dassu (Italy), Hema Verhagen (The Netherlands). Anna Fotyga (Poland), Tacan Ildem (Turkey), John Bew (United Kingdom).


5 In 2016 NATO members Denmark and Italy also participated for the first time together with longer attendees U.K., France, Canada, Netherlands, and Norway.


8 Discussions about a potential stationing of NATO troops in the Baltic region has been heated over the years resulting in NATO’s decision to station and rotate troops for no more than six months for this deployment.

9 Senators Shaheen (D-NH) and Tillis (R-NC) lead the NATO Observer Group of 10 Senators. Jens Stoltenberg, “NATO: good for Europe and good for America: Address to the United States Congress by NATO Secretary General Jens Stoltenberg,” April 3, 2019.

10 NATO 1979 Summit Final Communiqué, Paragraph 7, 11-12 December 1979. Paragraph 4 addresses a Soviet defense expenditure of 11-13 percent GNP that had supported a greatly enhanced Warsaw Pact capability and challenged the security of the Alliance. See Final Communiqué, December 11, 1979, NATO Homepage, Archives 1979.

11 By comparison, the United States annual budget logged in at approximately $730 billion, 3.4 percent of its GDP and 70 percent of NATO’s budget. Note this budget funds U.S. interests globally.


13 Having decommissioned its submarine fleet in 2004, the Danish Navy has begun to exercise and train on German subs, with an eye to improving Anti-Submarine Warfare capabilities. Johannes F. Sender and Edward R. Lucas, “Danish-German Submarine Cooperation: Opportunities and Challenges,” Brief, Royal Danish College, 11/17.


15 Secretary General Jens Stoltenberg, Brussels Forum Keynote, June 8, 2020.

16 Julianne Smith and Torre Taussig, “The Old World and the Middle Kingdom: Europe Wakes up to China’s Rise,” Foreign Affairs, v. 98, n. 5 (September-October 2019), p. 113. Smith/Taussig trace the German-Chinese relationship over the past decade.

17 NATO London Declaration.


19 There are 39 coalition allies, but “consulting” with all would be difficult.


21 The stop by the USS Teddy Roosevelt in Vietnam for a friendly visit demonstrated the potential for enemy action when the U.S. ship’s crew came down with the coronavirus after the port call. Eventually over 600 of a crew of 900 tested positive for COVID-19. This coincidence was not considered ill-intended, but the lesson is clear.

22 At the time of this writing, the U.S. fatality rate stands close to 120,000+.
An Era of Strategic Competition with China for U.S. Foreign Policy

China increasingly dominates American foreign policy discourse. For years, U.S. leaders have criticized China’s industrial policy, its trade surplus, and its human rights practices. American concerns now center around preventing Chinese primacy, and the instruments employed are comprehensive: tariffs, strengthened foreign investment screening, and export control measures that are designed to prevent China from acquiring advanced technologies. These policy changes from engagement to confrontation reflect a widely shared bipartisan assumption: that China has become a strategic competitor with the United States. European leaders have become more critical of China as well, including an increasing number of voices in Germany concerned with the risks their economic model. However, China’s relationship with the United States and with Europe should not be viewed through the same prism as the U.S.-USSR relationship during the Cold War. Beijing and Washington are not locked in a global contest for ideological supremacy and the Chinese economy is deeply integrated into the global trade and investment ecosystem. Thus, it is neither appropriate nor practical for the United States to pursue a Cold War-style containment strategy unilaterally or with allies’ support.

That being said, China’s domestic and foreign policies present extensive and serious challenges to U.S. national interests. Its industrial policy threatens open markets through persistent state subsidies, domestic market protectionism, and loose intellectual property rights protection and forced technology transfer. The Chinese government’s drive to attain technology supremacy threatens foreign competitors’ business models, introduces security concerns related to Chinese-made equipment, especially in the information and communication technology sector, exports the Chinese model of state-sponsored mass surveillance, and leverages the size of the Chinese market to intimidate countries against tough protec-
tive measures. Furthermore, through strategies such as the Belt-and-Road Initiative, Beijing wields the power of its outward bilateral economic engagements to accumulate strategic assets in natural resources and critical infrastructure around the world, expand its political influence in local and regional affairs, and build up support for its agenda in international organizations. A consensus has emerged in American society that the United States has to deal more effectively with China’s growing influence and global ambition.

The Trump administration has largely tried to confront these challenges alone: some see compromise with allies as anathema, while others decry slow European decision-making or suspect European demands could dilute U.S. objectives. Given the dimension of the challenge, it is no surprise that the U.S. has achieved only limited success. This has allowed Beijing to divide Washington from its allies by offering market access and other inducements, thereby ensuring that China does not face a united front among the advanced economies. The U.S. administration’s efforts have frequently been plagued by a lack of clearly articulated priorities, making it hard for American partners to see clear benefits from making common cause with Washington and building solidarity. The U.S.-China Phase One economic and trade agreement achieves a degree of managed trade to increase the sales of certain U.S. products, but Washington failed to make progress on the long-term issues at the heart of U.S. concerns, such as subsidies and the role of state-owned enterprises. The U.S. administration’s blacklisting of Chinese companies (including Huawei) that restricts transactions involving components and U.S. technology has hurt sales of American chipmakers, software companies, and others in the Chinese supply chain and sped up Chinese investment in research and development for domestic alternatives. But this did not stop Huawei from procuring chips from Europe and elsewhere, causing the U.S. to expand export control rules to choke off Huawei’s access to semiconductor chips made outside the U.S. This highlights the difficulty of responding to this challenge unilaterally rather than in concert with European and other international partners.

China Policy as a New Anchor for Transatlantic Relations

These American policy forays demonstrate that the United States cannot handle these challenges alone. It is clear: to effectively address the disruptions arising from China’s growing global role, the United States must coordinate better with its allies and partners, especially in Europe.

The European single market is both a top trade and investment destination and a crucial source of advanced technology for China. This is a propitious time for the U.S. to pursue collaboration: across Europe, there is a growing skepticism about China’s influence, with concerns increasingly shared in Germany and elsewhere. Last year saw the EU name China a “systemic rival” and French president Emmanuel Macron declare that European naiveté on China is over. The EU continues to warn member states against internal division on China policies.

Within Europe, Germany is China’s largest economic partner and the single most influential actor. The German government in the past eighteen months has repeatedly strengthened foreign investment screening and was instrumental in the creation of a European Union-wide foreign direct investment (FDI) screening framework. Today, German politicians are increasingly debating the economic, security, and political risks in their relationship with China. Some, including the chair of the Bundestag’s foreign affairs committee Norbert Röttgen, are among the leading European voices in calling for a concerted EU and transatlantic approach to China on key issues.

Despite converging transatlantic assessment on China, there has been scant policy cooperation between Europe and the United States. To start, China is not seen as a military threat by Europeans, and U.S. warnings about China’s security ambitions often fail to convince them. At the same time, the Trump administration’s predilection for tariffs, unilateral export control measures, and extraterritorial measures directed at Europe has shrunk the space for transatlantic cooperation. The German public is now equally divided on whether a close relationship
with the U.S. or with China is more important, according to a recent poll by the Körber Foundation. This is a dramatic swing in public opinion—as recently as September 2019, the German public prioritized relations with the United States by a 26-point margin—and it will constrain the ability of German political leaders to make common cause with Washington regarding China. Further, as European countries seek to hedge against the uncertainty of U.S. commitment to allies and diplomacy, their economic and political relations with China remain important.

German chancellor Angela Merkel repeatedly emphasizes cooperation in Germany’s relationship with China above critical disagreements. She has resisted U.S. pressure and growing calls domestically to ban Huawei from participating in the country’s 5G infrastructure construction. Merkel was determined to push through a EU-China investment treaty at the proposed EU-China summit in Leipzig during Germany’s EU presidency in the second half of 2020 before the gathering was called off—officially because of the pandemic, but also because of slow progress toward the centerpiece deliverable: the investment accord.

Opposition to Merkel’s China policy is mounting, however. Beijing’s aggressive COVID-19 propaganda campaign in Europe, including the Chinese government’s pressuring the European Commission to tone down its criticism toward Beijing in a China disinformation report, was met with swift backlash from German and EU politicians. The Chinese government’s move to impose a new security law on Hong Kong would end the “one-country-two-systems” model guaranteed in the Sino-British Joint Declaration. Concerned parliamentarians from advanced democracies such as German EU parliamentarian Reinhard Butikofer and Bundestag member Michael Brand have joined to form a new Inter-Parliamentary Alliance on China, a new initiative for international coordination on troubling Chinese behavior.

A new political dynamic in Germany could emerge after Chancellor Merkel’s impending retirement following the Bundestag election in 2021. A new chancellor will take office for the first time in sixteen years, most likely in a different governing coalition. What will remain consistent regardless of changes in German, or U.S., political dynamics is the need to reawaken transatlantic interest on the question of how to deal with economic and strategic challenges from China. In doing so, China policy could become a new anchor for the transatlantic relationship. The focus on a transatlantic China policy should be threefold: modernizing rules of the post-COVID economy to provide a level economic playing field that preserves global value chains while bringing greater redundancy to withstand supply interruptions; staying ahead in harnessing critical technologies that will shape the future; and strengthening open, multilateral international forums for international rule and standard making.

### RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT

**Building Cohesive Foreign Investment Screening and Export Control Regimes**

The COVID-19 pandemic exposed global supply chains’ strong dependency on China, especially for drugs and medical products. Beijing’s propaganda campaign to shift blame away from its pandemic response has also highlighted its lack of transparency and responsibility. Some advocates in the U.S. administration view the current disruption in global trade and investment as an opportunity to correct structural issues in U.S.-China economic relations. **Efforts such as diversifying supply chains and safeguarding strategic technologies must be grounded in a realistic assessment of continued extensive Chinese participation in the global economy and coordination among**
advanced economies to minimize bilateral trade and investment frictions between allies. The EU is the principal U.S. partner in achieving these goals and maintaining cohesion among major free market economies.

One of the most relevant issues for transatlantic cooperation is foreign investment screening. The pandemic-induced global economic recession has renewed the urgency to strengthen FDI screening, as Chinese companies and state-backed investment vehicles eye opportunities to purchase distressed assets in the U.S. and Europe. Chinese investments in the U.S. are already subject to stringent review requirements since the passage of the Foreign Investment Risk Review Modernization Act (FIRRMA) in 2018, which strengthened the authority of the Committee on Foreign Investment in the United States (CFIUS). The EU has lagged behind the U.S. in this respect but is making efforts to catch up. While the EU FDI investment screening mechanism does not grant the European Commission independent jurisdiction comparable to that of CFIUS, the regulation will require member states to cooperate on FDI reviews and exchange relevant information. In March 2020, the European Commission called upon all member states to set up a fully-fledged screening mechanism. Berlin is at the forefront of overhauling the FDI screening regime in the EU. It has published three amendments to tighten its FDI control regime since 2017, most recently on April 28, 2020. The German government also introduced a draft bill in January that will extend the list of critical technologies triggering a mandatory filing. These changes brought the German FDI screening regime closer to that of the U.S. They also serve as examples for other EU members seeking to establish or strengthen their own FDI screening mechanism.

U.S. law requires CFIUS to consult with allies and partners to protect the national security of each side, and it directs the president to work with them to strengthen investment screening and the multilateral export control regime. The U.S. government should make this coordination a political priority and turn ad hoc discussions with European partners into a broad shared agenda with political-level endorsement.

U.S. and German government agencies should increase regular information sharing on screening measures and individual cases, as well as adapting export control frameworks. These bilateral consultations could then pave the way for more extensive information exchange between the U.S. and other EU countries when the EU FDI investment screening framework takes effect in October 2020. For example, the U.S. Department of Treasury and the German Federal Ministry for Economic Affairs and Energy (BMWi) should seek to refine and possibly harmonize their respective definitions for critical technologies, critical infrastructure, and covered transactions. The U.S. Department of Commerce should conduct interagency briefings on new U.S. export control rules targeting dual-use goods and military end use with its German and European counterparts. The transatlantic partners should also consider an international coordination arrangement, modeled after the Wassenaar Arrangement that focuses on arms sales and dual-use goods. This effort could bridge regulatory gaps, reduce compliance costs and regulatory uncertainty, and ensure that businesses continue to benefit from cross-border capital flows.

Expanding Capacity and Enhancing Security in Critical Technologies

As China’s economic relationship with the West shifts from being complementary to competitive, the Chinese government has set its sight on global supremacy in critical technologies. The “Made in China 2025” strategy identifies ten core industries, from robotics to next-generation IT, in which
China seeks to achieve global tech leadership. Beijing is set to release a follow-up strategy titled “China Standards 2035,” a fifteen-year blueprint that will lay out its plans to set the global standards for the next generation of technologies. These visions are backed up by massive financing, subsidies, and technology acquisition and have already achieved significant results. Chinese companies have made significant gains in standard essential patents, commercial applications, and global sales in areas including telecommunication equipment, facial recognition, and drone technologies. Chinese telecommunications equipment company Huawei became a symbol of U.S. grievances toward unfair commercial practices, increased technology competition, and emerging security threats from China.

The U.S. has banned Huawei equipment from its next-generation 5G network and employs export control measures to curb Huawei’s access to key components from the U.S., such as semiconductor chips. But many European governments, including Germany, have resisted Washington’s call to erect statutory barriers against the company’s participation in their 5G infrastructure. In Germany, Chancellor Merkel’s refusal to bar Huawei sparked backlash within her own and other parties. The Chinese government’s conduct during the COVID-19 pandemic has spawned further reassessment of the vulnerabilities of close integration with China.

The U.S. and the EU should enhance bilateral discussions on 5G issues and other information and communication technologies through the existing EU-U.S. ICT dialogues. The U.S. and the EU should explore ways to use existing government financial mechanisms to promote sufficient indigenous capacity and access to critical technologies, including native 5G technology suppliers and service providers, to mitigate 5G risks and provide a basis for greater European cohesion. The U.S. International Development Finance Corporation (DFC) under the Better Utilization of Investment Leading to Development Act (BUILD Act) should work with the European Investment Bank (EIB) and the European Bank for Reconstruction & Development (EBRD) to increase equity investment in the telecommunications sector in Europe. The EU and the U.S. should use appropriate trade and investment measures to promote consumption of European and U.S. 5G products as a national security matter. Washington should conduct interagency consultations between the U.S. Department of Commerce, the U.S. Trade Representative, and their European counterparts to explore effective ways of using anti-trust and trade defense instruments to scrutinize Chinese telecommunications companies’ market conduct such as state subsidy and dumping that undercuts free market competition. Alternatively, the U.S. government could support the Open Radio Access Network (O-RAN) movement backed by many large U.S. and European technology companies that is pushing for open interfaces that enable a more competitive supplier ecosystem and advocating open source software and hardware reference designs. The government can fund O-RAN research and development, facilitate testing of open and interoperable networks and solutions, use government procurement to incentivize vendor diversity, and work with Germany and the EU to promote the development of O-RAN standards and protocols at international standard setting bodies. This platform could make it easier for governments to conduct network risk assessment and push for industry-wide security standards and good practices through maximizing the use of common off-the-shelf hardware and minimizing proprietary hardware and could gain significance far beyond 5G networks.

Artificial Intelligence (AI) is another emerging issue that warrants close transatlantic cooperation. Much like 5G, Beijing has adopted a whole-of-nation approach to achieving global leadership in AI. Both the EU and the U.S. are concerned with the privacy and human rights implications of China’s data gathering and massive public surveillance, and divergent regulatory preferences remain a major concern. The EU’s Whitepaper on AI published in February laid out a risk-based, sector-specific
approach to regulating AI and proposed to use market access as leverage to spread strict EU regulations on privacy and data security.20

An effective AI partnership between the EU and the U.S. should prioritize a set of AI ethics standards grounded in liberal democratic values and create a common transatlantic space for AI development and implementation. At the same time, the EU and the U.S. should coordinate their efforts in creating compatible transatlantic regulatory frameworks in order to help U.S. and European companies to compete with China’s strong position in AI commercial applications. The U.S.-German bilateral agreement on science and technology cooperation (“S&T Agreement”)21 in force since 2010 could serve as a model. During a Joint Commission Meeting in Berlin in November 2019, representatives from the U.S. and Germany committed to deepening bilateral engagements in AI infrastructure and data access, sharing, and management. The U.S. government should expand this type of bilateral cooperation to include other U.S. allies and partners, including the EU, members of NATO, and advanced Asian democracies on AI applications for national security, AI ethics, and regulations on commercial AI applications. Transatlantic cooperation needs to be enhanced to both facilitate access to public data pools and reduce barriers for data trade for AI research and development. Relevant U.S. regulatory agencies such as the U.S. Department of Commerce and the Department of Defense should hold regular interagency consultations with their European counterparts to jointly assess emerging security risks from AI applications and seek to harmonize security standards for AI hardware and software.

6 Noah Barkin, “Europe’s backlash Against Huawei Has Arrived,” Foreign Policy, November 27, 2019.
15 Alec Burnside, et. al., “Germany to Tighten Rules on Foreign Investment...Again,” JDSUPRA, April 29, 2020.
16 “Germany publishes draft Mandatory Disclosure Rules,” Ernst & Young, March 20, 2019.
REN EWING INSTITUTIONS STRENGTHENS
TRANSATLANTIC TIES

ERIC LANGENBACHER

Key Recommendations

■ Convene a commission to assess the state of U.S. federalism.

■ Address the decline of norms, precedents, and traditions in many federal branches of government.

■ Restore and increase budgets for public diplomacy and international aid.

A healthy transatlantic relationship is premised on stable governance and high-quality institutions on both sides of the Atlantic. The deterioration of American governance and institutions over several administrations has become a major impediment to that relationship and an obstacle to any improvements.\(^1\) In order to work effectively together, America’s strongest partners—Europe’s advanced democracies, especially Germany—need politically empowered counterparts in the U.S. administration and policy consistency and continuity that allows the transatlantic community to set an ambitious agenda and work to achieve it.

Germany, other European nation-states, and especially the European Union are also looking sclerotic and are in need of reform and rejuvenation. The Euro crisis, the lack of a unified response to the 2015 migration crisis, the Brexit fiasco, and then the 2020 pandemic reveal major institutional shortcomings at the European level. But, it has also been a mantra that EU issues are domestic issues today. Even within the traditional confines of the nation-state, the situation is also troubling, although Germany has recently performed better than Italy, Spain, or Britain, especially during the coronavirus pandemic.\(^2\)

This problem is bigger than the pandemic and wider than the transatlantic community. International and transnational institutions—beyond but related to the transatlantic relationship and domestic governance—have atrophied in recent years. Challenges in Africa and Latin America directly impact politics and society in Europe and the U.S. The UN and WTO (to mention just two) are shells of their former selves. Institutional renewal at multiple levels of governance is a necessity on both sides of the Atlantic to ensure peace and prosperity for future generations.
RECOMMENDATIONS TO THE NEXT U.S. PRESIDENT, AND CONSIDERATIONS FOR PARTNERS IN EUROPE

Assess and Reform Federalism

All three polities—the U.S., Germany, and the European Union—are federal to one extent or another albeit with significant variations in power distribution, regulatory competences, and performance. All three also need to reflect on, assess, and develop mechanisms to fine-tune and reform these institutional structures.

In the U.S., three separate yet interrelated issues warrant consideration: suboptimal performance of U.S. federal authorities, tensions between the executive and legislative branches resulting in ineffective Congressional oversight, and problems with federalism, namely the state-federal balance. All of these are structural problems, dating back years if not decades, and have plagued administrations from both parties. First, the next U.S. administration, in conjunction with the U.S. Congress and state representatives such as governors, should **convene a commission to assess the state of U.S. federalism**. The Commission would have an explicit bipartisan nature and would examine performance and governance issues from 1993-2021. Akin to the 9/11 Commission, eleven members with no current electoral mandate (four from large/small, red/blue states, two former Congress members, two former executive branch officials, and three nonpartisan academics or practitioners) would assess the state of federalism and intergovernmental relations and issue recommendations for reform.

Federalism has always had benefits, such as the greater ability to tailor appropriate policies to local conditions and the ability to experiment and vet various policy innovations. But, there have also been disadvantages, including the proliferation and duplication of regulations leading to inefficiencies, violations of rights by subnational units, and beggar-thy-neighbor, lowest-common-denominator policymaking.³

As a recent example, the coronavirus pandemic of 2020 and the varied state and local responses, coupled with the inability or unwillingness to coordinate effectively at the federal level, revealed more of the downsides of the American system. States were competing against each other for scarce medical products, often paying exorbitant prices, and supply bottlenecks and shortages persisted during critical months. Not only were lives likely and unnecessarily lost,⁴ but the financial costs of lack of federal coordination were high. Moreover, the separation of powers proved unclear—for instance, in the issuance of emergency declarations or shut-down orders. In fact, the poor governing performance has even led to previously unthinkable calls for various interstate compacts and regional cooperation akin to the situation during the Articles of Confederation.⁵

The current crisis aside, there are deeper, long-developing structural challenges. **The commission should be tasked with re-assessing the status quo with the intent of re-defining at what level policy is best formulated and delivered.** This is also an opportunity to assess the duplication of laws and regulations in an attempt to streamline regulatory processes.⁶ Attention should also be devoted to developing better coordination mechanisms particularly at the national level—perhaps through a sub-cabinet level coordinator of intergovernmental relations housed in the Department of the Interior. More formalized procedures for state-federal interactions should be considered, including detailed emergency response plans and clearer procedures for bailouts of state budgets during emergencies. Procedures need to be renewed so that any federal assistance follows need—but also that moral hazard is minimized.
IN GERMANY

The German model of federalism—at times characterized by similar tensions—has generally performed better. For example, during the early phases of the pandemic, clear coordination mechanisms limited excessive policy deviations. Typically, some pioneering states (like Bavaria) would institute policies that were soon copied by other states or adopted as a national policy within days. An excellent example is the recommendation at the end of April 2020 to wear face masks, adopted quickly by all states, but with some differences. The lowering of restrictions in May 2020 was a little more contentious, with some pushback to a more unified national standard.

Reforms pushed through in Merkel’s first term have helped, but additional action is most certainly back on the agenda with the looming changes to the Finanzausgleich (revenue equalization among states) and the ending of the Solidaritätszuschlag (solidarity surcharge). It is an open question if the current institutions are up to handling the economic and health effects of the pandemic. This is in addition to persistent structural tensions such as inadequate coordination in policing as revealed by the case of the right-radical National Socialist Underground (NSU) in which right-radical terrorists killed ten people over a decade in multiple states. Clearly Merkel’s political skill has played a significant role in successfully managing the crisis, not just the institutionalized cooperation between the federal and state levels. Still, German federalism seems more robust right now compared to the U.S. version.

IN EUROPE

This contrasts considerably from the situation at the European level. Criticism of the EU has proliferated over recent years—as have grandiose plans to address the institutional weaknesses, especially from French president Emmanuel Macron. One should remember that the EU has faced almost perpetual crises since at least 2005—beginning with the failed Constitution, continuing to the financial and euro crises, the migration crisis, Brexit, and now the coronavirus pandemic. More fundamentally, democratic backsliding in countries like Hungary and Poland and rising Euroskeptic and right-wing populist movements across the continent have created additional challenges.

The EU has always mastered the art of “muddling through,” or has been forced to act only at the point of a major crisis. There is wide agreement that the EU is at this point now and must respond with a major initiative of institutional renewal, if not deepening. Although the EU, and specifically the ECB and Eurozone, did eventually respond to the challenge posed by the Eurozone crisis, the pandemic-related economic downturn will likely be much worse and will require more ambitious measures. The ultimate shape of the EU response is unclear as of this writing, but a joint proposal from Merkel and Macron announced in May 2020 for the EU to raise €750 billion to be distributed equitably to all member states—and importantly, mainly in the form of grants not loans—is a major policy departure and could help to alleviate some of the structural pressures that have been building up. Some leaders even hyperbolically called this Europe’s “Hamiltonian” moment. Nevertheless, some of the more frugal northern countries could balk at such proposals emanating from the French and German governments, as well as the Commission, and the plans will likely be exploited by a variety of Euroskeptical movements in northern and central Europe, especially if EU-level taxation and spending increases, as some think is possible (and others desirable).

Much more, however, is necessary. For instance, member state governments and the bloc as a whole must work out where EU law has supremacy, especially in light of the recent German
Constitutional Court’s ruling calling some ECB bond-buying measures into question. In this instance, the onus must be on the German authorities to no longer evade, but to definitively address the Constitutional Court’s long expressed concerns about sovereignty. This is especially pressing because ambiguous German legal precedents question EU law and undermine the development of robust measures to censure governments like in Hungary and Poland, which are violating basic liberal democratic institutions and practices. The unwieldy and cumbersome institutions in Brussels need to be streamlined and lingering issues about the “democratic deficit” need to be more fully addressed. Perhaps it is time for the Commission to be comprised from and directly responsible to the majority of elected members of the European Parliament, while still respecting the allocation of portfolios by member states. Finally, better procedures and anti-corruption safeguards need to be developed in terms of transfer payments and various subsidies like the common agricultural policy (CAP). The Commission, Parliament, and Directorate General of Agriculture and Rural Affairs must work in unison to exert more oversight on spending, taking away the vast discretion of national governments to distribute the funds. This will be highly contentious, but EU actors can no longer afford business as usual because corruption in the CAP is strengthening political actors trying to undermine the European project.

Institutional Redefinition

In the United States, the last years have revealed that a variety of norms, precedents, and traditions have atrophied in many federal branches of government, an institutional erosion widely quantified. In the Senate, for example, the majority leader was able to hold off confirming a Supreme Court judge for nearly a year, allowing the new president to install his own nominee. Even though the Constitution states that the Senate will vote on judicial nominees, there is not stipulation about a time frame to do so. The Senate needs to modify its rules to codify confirmation procedures, for instance, stipulating a vote no more than three months after a nomination. The impeachment process also needs to be better codified—for instance, providing for testimony under all circumstances, even if the majority is not in favor. Efforts to allow the House to convene and vote remotely were unduly difficult. As prudent as such a change might be, clear directives limiting the context in which this power can be invoked need to be put in place.

Perhaps no branch is in as much need of redefinition and clarification as the Executive Branch. The large number of unfilled positions or acting appointees has been problematic in the last few years and undermines the Senate’s responsibility to “advise and consent.” Time limits, such as no more than sixty days after a vacancy arises (perhaps excluding initial appointments after a change in administration, although that too should be codified) need to be applied. European policymakers have observed over the last four years that there is often no one in place with whom they can interact or negotiate. It might also be prudent to consider limiting the number of political appointments. The use or threat of executive and other forms of privilege has proliferated, making it challenging for other branches to provide oversight. The conditions under which such privilege pertains needs to be redefined. This will likely take several years as there will be give-and-take among the executive and legislative branches with the courts ultimately validating the reforms. Inspector generals need to be protected from political interference. All presidential candidates should be required by law to disclose their financial information, including tax returns. Clear legal procedures are necessary to compel testimony, including from a sitting president, and the issue of whether criminal charges can be levied needs to be more clearly delineated. A coordinated effort by the Department of Justice and appropriate Congressional committees would be in order, although the Supreme Court would likely ultimately
Presidential powers to declare emergencies and to reallocate funds appropriated for other purposes need to be codified and curtailed. Finally, the federal government through the Federal Election Commission and the Department of Justice’s Voting Section of the Civil Rights Division needs to take a more robust role in ensuring the right to vote across the country, especially for historically disadvantaged groups.

IN GERMANY

German institutions have fared better, and indeed, unlike the U.S., have generally maintained their quality despite recent challenges. Not even to mention the issues at the European level discussed above (and perhaps as concerning as the current situation in the U.S.), there are most certainly many needed reforms in the German context. The electoral law, for instance, is currently an over-engineered mess (overhanging and compensatory mandates) that is unintelligible to most voters and that results in overly large parliaments. The Bundestag in consultation with the Constitutional Court should revise the law as a top priority in the next legislative period. As stable and rooted as the German democratic system is today, Bundestag committees could examine greater use of direct forms of democracy at various levels of government—which would have the added benefit of depriving the far-right Alternative for Germany (AfD) of the issue. Policy-wise, the decade-long underinvestment in public infrastructure needs to be addressed to maintain the competitiveness of the economy and to raise standards of living.

The country also needs to address the under-representation of Germans with a migration background at all levels of governance, as well as educational inequalities. Finally, the persistent concerns of many eastern Germans regarding representative equality need to be more fundamentally addressed. For instance, the under-representation of easterners in all leadership roles nation-wide and even in the region—corporate management, politics, or higher education administration—has to change. Even the federal cabinet currently has only two easterners (out of sixteen). This will be even more acute once the most prominent easterner, Angela Merkel, leaves the political stage after fall 2021. The government needs to reinvigorate various institutions and civil servants to deal explicitly with the ongoing challenges of the region. For example, the Ostbeauftragter (representative for the east) should move back into the Chancellery, the budget and staff should be increased, and the visibility heightened. That office should develop a mentoring plan to assist promising easterners to rise within organizations. Informal quotas of easterners should be implemented in various managerial and higher administrative bodies. Hiring preferences for easterners in eastern schools and governmental agencies should be considered. Such measures could also be contemplated for Germans with a migration background and women.

Public Diplomacy

Perhaps one of the most underappreciated but high-impact expenses that taxpayers make is the field of public diplomacy. It is no secret that the reputation of the United States has sunk virtually everywhere in the world. Trust in America and the U.S. government is at historic lows. Re-investing in the image abroad, especially but not only in Europe, is essential. Importantly, public diplomacy needs to be linked to the agenda of institutional renewal outlined above. America has always resonated with people abroad when we demonstrate our dynamism and vitality through efforts to reform and self-correct. Budgets need to be restored and increased in these areas as the United States confronts the fundamental issues that challenge the transatlantic and global communities.
Publicly funded art and culture programs, such as the old jazz ambassadors and current efforts to promote genres like hip hop, should be expanded\textsuperscript{18} and more U.S. cultural institutions should be established or expanded abroad. Exchange programs such as the International Visitors Leadership Program, which often deeply affect future leaders across the globe, should be scaled up. For all of this to be possible, our soft power more generally needs to be buttressed through a reinvestment and reinvigoration of our diplomatic corps. In Foggy Bottom, career officials with decades of experience need to be retained and fostered.

IN GERMANY

Germany has long invested in soft power resources internationally and its reputation has benefitted greatly from such expenditures.\textsuperscript{19} Recently, 2018-2019 was deemed a Deutschlandjahr in the United States and numerous activities followed with focus on communities with little exposure to previous German governmental efforts.\textsuperscript{20} Given the recent tensions in the transatlantic relationship, such initiatives should continue and become more institutionalized. More generally, in times of budget austerity that are surely coming, the temptation to cut such expenditures should be countered because the returns from such investments are incalculable.

Conclusion

The transatlantic relationship has provided peace, stability, and prosperity for seventy-five years in both Europe and the United States. The unprecedented alliance has also helped to stabilize many other regions across the globe. Even more importantly, both sides of the Atlantic in differing yet common ways have provided positive examples and role models to much of the rest of the world. Liberalization and democratization in diverse places like Eastern Europe, South Asia, and Latin America are directly related to the examples and policies exemplified by the Atlantic community.

But, a series of economic and political crises, as well as festering problems that have built up for years if not decades due to benign neglect, have created unprecedented internal challenges in many Atlantic allies, especially the U.S. and the European Union (less acutely, but also Germany). It is time to focus on domestic institutional renewal because there can be no effective transatlantic or global collaboration without better-functioning and legitimized political systems at home. The Atlantic community can regain its exemplary reputation globally by demonstrating the power of reform and self-correction.
INSTITUTIONS

1 Francis Fukuyama, Political order and political decay: from the industrial revolution to the globalization of democracy (New York: Farrar, Straus and Giroux, 2014); Thomas Mann and Normal Ornstein, It’s even worse than it looks: how the American constitutional system collided with the new politics of extremism (New York: Basic Books, 2016).


7 “Föderalismus in Deutschland,” Bundeszentrale für politischen Bildung.


18 “Music & Film Diplomacy at the State Department,” Bureau of Educational and Cultural Affairs, May 4, 2018.


20 See https://wunderbartogether.org/
Access to affordable, skills-based education has been an important bipartisan priority for two decades. Presidents Clinton, Bush 43, Obama, and Trump all embarked on ambitious campaigns to expand apprenticeships in the United States. Yet despite apprenticeship’s popularity as a magic bullet to close the skills gap, provide an alternative for Americans looking to avoid college debt, and set up employers and employees for success in the twenty-first century economy, American participation in apprenticeship has yet to meet goals established by any of the administrations.¹ President Trump and Candidate Biden have both touted the importance of workforce education programs in their platforms and during their time in the White House. The next American administration should further invest in workforce education and apprenticeships, and Germany should be a key partner in this effort.

Germany is the fourth largest source of foreign direct investment in the United States, employing almost 800,000 American workers in 2017.² While the difference in educational systems and labor market structure preclude a direct replication of the German dual educational system in the United States, German firms have led the way in adapting that system to fit local and regional needs and establishing apprenticeships in their U.S. firms. The German Federal Institute for Vocational and Educational Training (BIBB) estimates that over half of each age cohort enters into an apprenticeship program in Germany.³ This experience makes Germany a particularly well-suited partner for the United States as both presidential candidates have set high goals for expanding apprenticeship programs.

The COVID-19 pandemic has left tens of millions of Americans unemployed. According to data from the Bureau of Labor Statistics (BLS), almost every industry has shrunk due to the pandemic.⁴ As the United States rebuilds its economy, policymakers should expand workforce education programs that will put Americans back to work, provide pathways to high-paying, middle class jobs in key sectors of the future economy, and help workers absorb economic shocks.
Jobs of the future are particularly suited to apprenticeships. The BLS projected in 2018 the most job growth in health care, construction, solar panel and wind turbine technology, and information security. Federal data show the number of apprentices in health care (such as pharmacy support staff and nursing assistants) have doubled since 2015, as have apprenticeships in technical services (which includes software programming and development). The United States will need workers not only to bolster the economy, but also to tackle important national challenges: IT professionals to secure our cyber networks and develop capabilities such as 5G, technicians to install and maintain clean energy solutions to combat climate change, and health professionals to care for an aging population and protect Americans in the next public health crisis. Where does American workforce education stand now, how should it develop, and how can a stronger partnership between the United States and Germany help us meet those goals?

American Apprenticeships: Bipartisan Priorities Still Fall Short

Both Republican and Democratic administrations have seen apprenticeship as a valuable tool to enhance the U.S. labor market. At the beginning of his presidency, President Trump made apprenticeship expansion a top priority, and it was a key component of Angela Merkel’s official visit to Washington in 2017. Following a 2017 executive order, President Trump convened a Task Force on Apprenticeship Expansion, and the administration’s New Industry Recognized Apprenticeship Programs (IRAP) went into effect on May 11, 2020. In 2020, the Department of Labor (DOL) awarded grants totaling $100 million to unions, educators, and companies to create new Registered Apprenticeship programs or expand existing ones. In 2014, President Obama made apprenticeship expansion a priority in his State of the Union address. A White House Summit on American Apprenticeships promoted best practices and gleaned ideas from employers, labor unions, community colleges, and local workforce leaders. In the second Obama administration, the United States invested over $300 million in apprenticeship funds in the form of public and private sector grants to expand or diversify apprenticeships. This high level of investment correlates to a steady increase in apprenticeship participation.

Yet apprenticeship numbers in the United States still lag behind those of other developed countries despite support from the legislative and executive branches and 56 percent growth in apprenticeship enrollment since 2013. American firms have also expressed an interest in establishing apprenticeship programs but cite cumbersome federal bureaucracy, high costs of setting up programs, and difficulty of recruitment as barriers to registering apprenticeships with the Department of Labor. Traditionally, the Department of Labor administers apprenticeship programs, and registration with the federal government ensures widely recognized program quality, technical support from registration agencies, and in some cases, preferential treatment when applying for federal funding. Multiple firms are also skeptical of the investment in apprenticeships in a rapidly changing labor market and worry that after investing in an apprentice, they will abscond to a rival company.

Policymakers and firms lament that it is costly to recruit apprentices due to the stigma attached to blue-collar jobs, student (and parent) preference for four-year colleges and universities, and high school leaders encouraging university attendance over other tracks. These preferences are cited anecdotally; even the 2018 task force report laments the negative perception of a job in skilled trades. However, as U.S. student loan debt balloons, students and parents are searching for alternative, debt-free tracks that lead to high-paying careers.

German Apprenticeships Made in the USA

Germany is a natural partner for policymakers and companies as they expand and develop workforce training programs. The German government frequently highlights successful apprenticeships through diplomacy and leadership in international organizations. The German Embassy Washington has a Skills Initiative through which it promotes German-style apprenticeships across the United...
States, and the German Ministry of Labor and Social Affairs highlighted the German apprenticeship model during the German G20 presidency in 2017. German companies in the United States have worked with local governments and community colleges to establish innovative apprenticeship programs throughout the United States, potential models for public-private partnership that serve as a proof-of-concept. German firms generally see high rates of return on apprenticeship programs due to higher productivity and reduced recruitment costs. A November 2016 study estimates that after Siemens USA in Charlotte, NC, hires an apprentice who has completed the apprenticeship, they recoup the cost of apprentices within one year of hiring. The expertise and experience of German government and firms in administering apprenticeships, as well as shared future challenges of rapidly changing economies and nature of work, provide opportunities for fruitful collaboration. In the United States, policymakers have looked to Germany as a model for apprenticeship that can provide Americans with a debt-free alternative to colleges and universities, and that equips young people with the skills for a well-paying career.

**RECOMMENDATIONS FOR THE NEXT U.S. PRESIDENT**

**Expand Registered Apprenticeships**

Firms in the U.S. continue to cite prohibitive costs to establishing or expanding programs. Increased Registered Apprenticeship funding, with clear guidelines and national certification standards, will encourage more firms to develop programs for their own talent pipeline and clear a major hurdle in recruitment. In states with an already high number of apprenticeship programs like Wisconsin, DOL grants allow unions, colleges, and firms to develop already-existing networks to expand apprenticeship programs into emerging tech and clean energy sectors. In states lagging behind on apprenticeship programs, particularly rural states without existing frameworks, grants provide the resources that stakeholders would not already have available and remove significant barriers to entry. This investment from the federal government will allow administrations to meet their numbers goals but gives flexibility for states, localities, and firms to meet specific on-the-ground needs as they design, implement, and expand programs. This investment by the federal government will allow for an expansion of programs, but also lay the groundwork for transatlantic cooperation on apprenticeships.

Commission national report to identify obstacles to apprenticeship participation and elevate best practices nationwide

Transatlantic policymakers and apprenticeship proponents continue to cite barriers to apprenticeship engagement that were last examined at the beginning of the 2010s, when the apprenticeship landscape in the United States was very different. The federal government should prepare a national report to determine best practices that can be adapted across the nation. The report should also identify why apprenticeship numbers have not increased more substantially: is it a lack of interest from students? Is it a dearth of opportunity, either in their field or in their location? Is it a lack of awareness? The study would examine qualities of successful apprenticeship, especially spearheaded by German companies, to understand innovative approaches to implementing apprenticeships in the American educational and economic system. This report would form the basis of a toolkit for registering and developing apprenticeship programs and allow policymakers to reassess challenges and opportunities as they expand apprenticeships in the upcoming decade.
Formalize German-American collaboration at the federal level to encourage transatlantic cooperation between companies, schools, and policymakers

Many concrete measures for transatlantic collaboration and gleaning best practices for apprenticeships must be undertaken at the local or regional level, while the United States government can provide resources and guidance and set goals. By signing a Joint Declaration of Intent with the German government, the U.S. administration would formalize avenues of cooperation for states, regions, associations, and firms, establishing a forum for exchange with relevant stakeholders. The Trump administration has established a three-year memo of understanding with Switzerland, and an Obama administration memo of understanding with Germany established exchanges and meetings between public and private sector experts. Facilitating these exchanges at the federal level sets priorities for the transatlantic relationship and is another way the federal government can invest in innovative partnerships.

Conclusion

The federal government plays an important role administering and setting policy priorities to increase apprenticeships in the United States. Successful apprenticeship programs require active and innovative collaboration between the public, education, and private sectors, and with direct support from the administration, this collaboration can occur at the state, local, and industry level. Transatlantic expertise can help the American workforce equip itself for the challenges of the twenty-first century. Despite partisan squabbles in the United States and an increasingly strained transatlantic partnership over trade and defense, rebuilding and maintaining a healthy, robust workforce is cause for consensus. As the United States continues to reform and develop its apprenticeship strategy, the transatlantic partnership provides a perfect opportunity for collaboration.
President Obama set a goal of 750,000 apprentices by the end of 2016; President Trump promised 5 million by 2022. There were 505,000 active apprentices in 2016; most recent data from the Department of Labor show 585,000 apprentices in 2018.

1 "Registered Apprenticeship National Results, Fiscal Year (FY) 2018 (10/01/2017 to 9/30/2018)," U.S. Department of Labor, Last updated September 3, 2019.
4 Maria Hollenhorst and Kai Ryssdal, "Here’s one way to tell how widespread April’s job losses were," Marketplace, May 8, 2020.
10 "President Barack Obama’s State of the Union Address," The Obama White House Archives, January 28, 2014.
Located in Washington, DC, 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 a Stronger German-American Partnership