NEWPOLITIK

GERMANY'S RESPONSE TO EBBING U.S. ENGAGEMENT IN INTERNATIONAL INSTITUTIONS

Bertelsmann FOUNDATION



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BY EMILY HRUBAN



INTRODUCTION

When Time magazine named Angela Merkel its person of the year for 2015, it called her "chancellor of the free world."

With Barack Obama still in the Oval Office, the claim that Merkel had taken up the gauntlet of free-world leadership seemed exaggerated, especially given that Hillary Clinton — a former U.S. secretary of state seemingly on a march to the White House —didn't even make Time's shortlist. But Time made its case based on Merkel's embrace of refugees from Middle Eastern wars and her shepherding of Europe through the euro crisis, which threatened the foundations of perhaps the world's greatest liberal experiment, the European Union.

Time's writers, it turned out, were soothsayers. When Donald Trump was elected U.S. president nearly a year later, his hostility to supranational institutions, and even the European Union itself, left the bulwarks of the liberal order — the United Nations, the EU, the World Trade Organization, NATO — without their traditional champion in the White House. Many on both sides of the Atlantic, including Obama, saw Merkel as the best hope for protecting the rules-based global order as we know it.

Merkel sat atop Europe's largest economy and knew from growing up in eastern Germany the shackles of authoritarianism. Still, although Germany had long supported multilateralism and the international institutions it participated in, it had rarely led the charge in addressing the globe's intractable problems. Merkel signaled that that was about

to change. She opened the door to thousands of refugees from the Middle East and presided over the euro crisis, as Time noted, but she also led the talks between Russia and Ukraine after Russia seized Crimea and sponsored uprisings in eastern Ukraine. More generally, she became perhaps the most visible champion of liberal democracy as it came under attack in some surprising quarters.

Meanwhile, as so many had feared, the United States stepped away from key international agreements and organizations — from the Paris climate agreement to the Iran nuclear deal — and Trump has threatened to pull his country out of NATO and the World Trade Organization.

These papers explore the shifting German-American relationship within three key international institutions: the United Nations, the WTO, and NATO. What leadership have we seen from Germany in the past three years, and what might we expect in the future, especially as Merkel prepares to exit the stage? Is Merkel the chancellor of the free world, after all?





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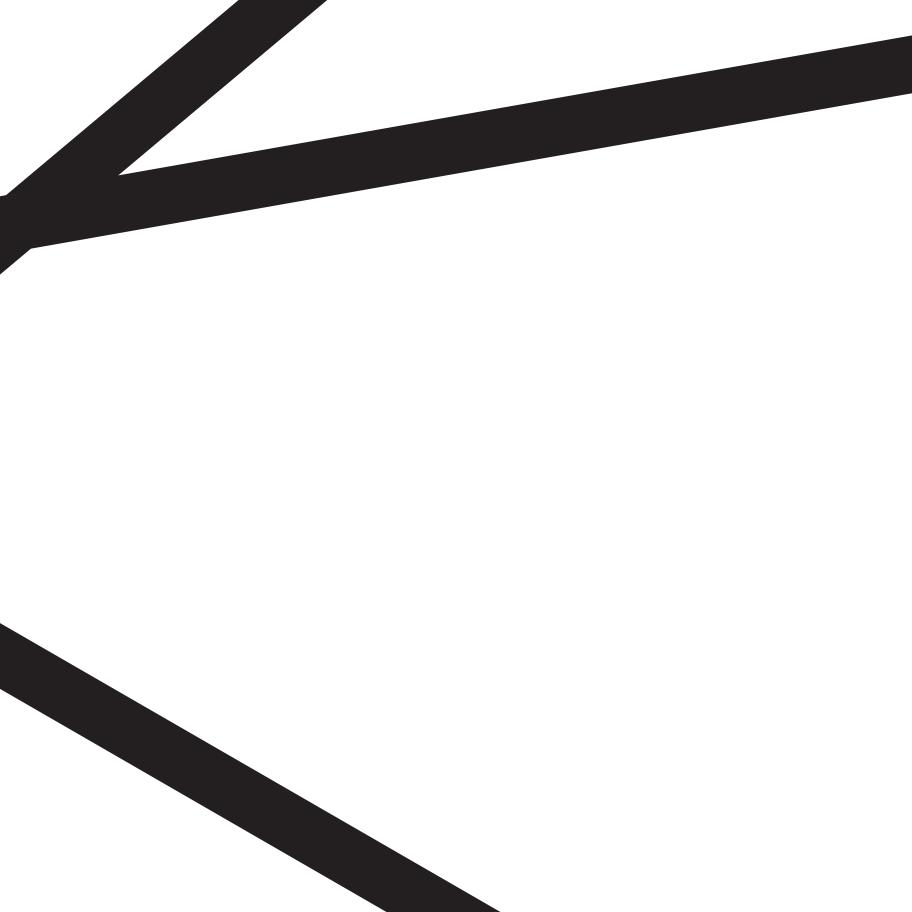
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SECTION ONE



PARALLEL STRUCTURES:

THE IMPACT OF THE UNITED STATES' RETREAT FROM THE UNITED NATIONS, AND WHAT GERMANY IS DOING ABOUT IT

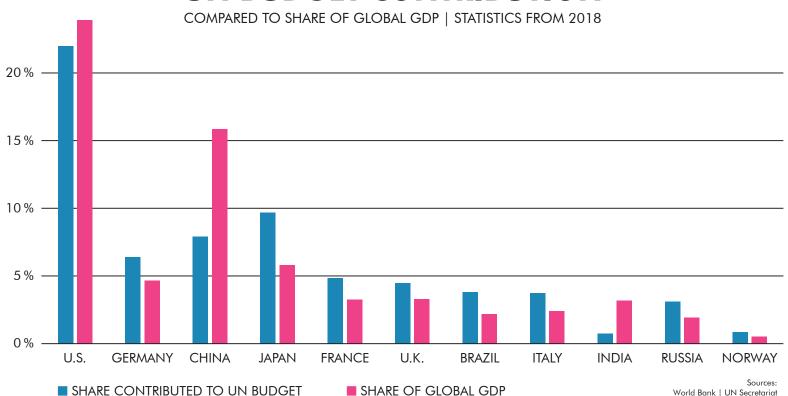
Even before World War II came to a close, Allied powers were meeting to discuss the idea of an international organization to safeguard peace in the years to come. In April 1945, as the war continued in both the Atlantic and Pacific theaters, representatives of 50 nations came together in San Francisco to discuss the charter of the United Nations. The U.N. has helped shape world order in the years following, from setting international standards and laws to addressing and preventing conflicts and attempting to solve intractable global problems.

Throughout the U.N.'s seven decades, the United States has had an uneven relationship with the organization, but Washington has still footed a considerable portion of its budget — currently, 22 percent.

Germany, which joined the U.N. in 1973, has taken on an increasingly important role in the organization. Its \$155 million annual contribution, roughly 6.4 percent of the U.N.'s budget, makes Germany the fourth-largest funder after the United States, Japan, and China.¹

Germany has also taken on a more active leadership role within the U.N., currently serving as a non-permanent member of the Security Council and advocating for a permanent seat in the future.

UN BUDGET CONTRIBUTION



Germany is in a natural position to lead given its size and economic clout, with a population of over 80 million (second only to Russia in Europe) and the fourth largest GDP in the world.

Since taking office in 2017, U.S. President Donald Trump has questioned the United States' involvement in several U.N. agreements and institutions, including UNESCO, the Iran nuclear deal, the Paris climate agreement, and the U.N. Council on Human Rights.

This paper examines two central examples of the United States taking a step back at the U.N., in order to better understand what Germany's role on the global stage could be in the future if the United States continues to back away from the very institutions it helped create.

1 HUMAN RIGHTS

In 2006, the U.N. Human Rights Council was established, replacing the U.N. Human Rights Commission, which had been widely criticized for including human rights abusers among its members. Despite changes to voting procedures, the council, like the commission before it, continues to face criticism for its membership, which includes authoritarians and human rights violators; Saudi Arabia, Qatar, and Eritrea all have a seat at the table.

The council's 47 members are elected by the General Assembly for three-year terms, with seats allotted regionally. Members may not serve more than two consecutive terms.

The council focuses on promoting human rights around the world and holding abusers accountable. It passes resolutions to call for action in cases of abuse and can appoint special rapporteurs and working groups to monitor specific topics or countries. It does not have the power to intervene directly, but it can call attention to issues at the U.N. and in the press.

The council has had some clear successes. An inquiry into human rights violations in North Korea, for instance, led to the establishment of a U.N. human rights field office in Seoul to monitor the situation and modest reforms by Pyongyang in the face of international outcry against its abuses.²

Critics, including the Unites States, argue that the system allows major human rights violators to participate, shielding themselves from criticism and protecting their allies and neighbors. But that openness can also be a strength, says Ted Piccone, a nonresident senior fellow at the Brookings Institution. The council's "membership has reflected the U.N.'s diversity – with states large and small, democratic and authoritarian, and everything in between. This gives the council unique legitimacy when it speaks out against violations in North Korea or Iran," he wrote in 2015.³

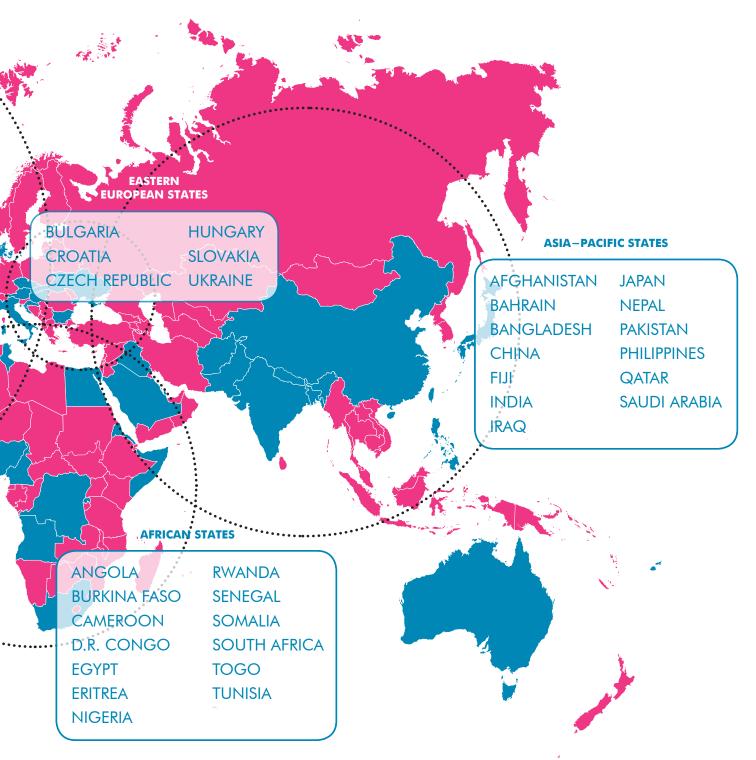
In 2006, the United States was one of four nations (along-side Israel, the Marshall Islands, and Palau) to vote against the council's creation, arguing that the resolution establishing the council "did not go far enough to exclude some of the world's worst human rights abusers from membership in the new body." 4

In part because of this opposition and in part because it wasn't assured of winning a seat, the U.S. did not seek membership on the newly formed council in 2006.⁵

When U.S. President Barack Obama took office in 2009, the United States joined the council. Although the Obama administration was critical of the body, it opted to try to reform it from within. Obama created a Senate-confirmed ambassador position to work with the Human Rights Council in Geneva.⁶ The administration also pushed for more country-specific and thematic resolutions to put more

UN HUMAN RIGHTS (20 WESTERN EUROPE & AUSTRALIA ITALY **AUSTRIA** SPAIN DENMARK U.K. **ICELAND** LATIN AMERICAN & CARIBBEAN STATES ARGENTINA **CUBA** BAHAMAS **MEXICO BRAZIL PERU** CHILE **URUGUAY**

COUNCIL MEMBERS 19)



pressure on human rights abusers, including successfully championing a resolution on the rights of lesbians, gays, and transgender people.⁷

Germany joined the council at its inception and has been consistent with its attempts to reform it, regardless of politics at home. At the council's first session in 2006, then-Foreign Minister Frank-Walter Steinmeier heralded "a new era of international human rights work" and said the council "must not be silent" on human rights violations, wherever they occur.9

THE EXIT

A few months after President Trump took office, Nikki Haley, his ambassador to the United Nations, announced that the United States was reconsidering its membership on the council.¹⁰

At a speech at the Graduate Institute of Geneva, she elaborated: "When the council fails to act properly – when it fails to act at all – it undermines its own credibility and the cause of human rights. [...] It reinforces our growing suspicion that the Human Rights Council is not a good investment of our time, money, and national prestige." ¹¹ Haley continued, "If [the council] fails to change, then we must pursue the advancement of human rights outside of the council." ¹²

A year later, Washington followed through on that threat, with U.S. Secretary of State Mike Pompeo citing the council's "well-documented bias against Israel."

Council members have long sparred over Israel. The country's defenders say it has been unfairly singled out by hostile members, including Saudi Arabia, Pakistan, and Qatar, who push for scrutiny of Israeli human rights violations. Israel is the only country to appear among the 10 standing action

items on the council's agenda, and eight of the body's 28 special sessions have focused on Israel.¹³

Standing alongside Secretary Pompeo during his June 2018 announcement of the United States' departure, Ambassador Haley said, "I want to make it crystal clear that this step is not a retreat from human rights commitments; on the contrary, we take this step because our commitment does not allow us to remain a part of a hypocritical and self-serving organization that makes a mockery of human rights." ¹⁴

German officials expressed agreement with the notion that Israel does not get a fair shake on the council — "Germany also regards the anti-Israeli tendencies in the Human Rights Council with concern," ¹⁵ government spokesman Steffen Seibert said — but lamented the United States' decision.

"In times in which multilateralism and human rights are under enormous pressure around the world, we have a great interest in maintaining and strengthening the Human Rights Council," ¹⁶ said Bärbel Kofler, Germany's commissioner for human rights policy and humanitarian assistance.

Germany itself stepped away from the council in 2018, as required after serving two full terms, but in early 2019, Foreign Minister Heiko Maas said his country would seek a seat on the body in 2020, earlier than expected. "Especially when others are stepping back, Germany should be a strong voice for human rights," he said.¹⁷

By taking on this new role in the absence of the United States, Germany could take the lead in pressing the council to hold its members accountable and to address human rights violations more effectively.

Further, Germany's unique relationship with Israel makes it a natural champion for that country on the council. In a May 2019 statement, Maas said, "Israel is still being denounced, treated in a biased manner, and marginalized inappropriately in U.N. bodies to this day." 18

But if Germany is elected to the council again, it will have to contend with powerful forces that have priorities other than human rights.

Council member China has pushed hard for a focus on development over individual rights. Chinese delegates have deflected criticism of the internment of more than 1 million Uighurs in Xinjiang. The province's vice governor, Erkin Tuniyaz, told the council, "By setting up vocational education and training centers in accordance with the law, we aim to educate and save those who were influenced by religious extremism and committed minor legal offences." 19 China has also blocked NGOs critical of Beijing from speaking at the council and pressured delegates from countries where it has development projects to reject criticism of its human rights record. Chinese delegates also repeatedly disrupted debates on Hong Kong in July 2019.20

15

Given the vacuum left by the United States, if Germany does not take a more active role on the council, then China's clout could sabotage its work.

THE FUTURE

The United States' 2018 departure from the council raised questions about the country's commitment to human rights and to the U.N., and those questions will probably linger even if it rejoins the body under a future administration. One year after the announcement of the U.S. withdrawal from the human rights council, as if to sow further doubt about Washington's approach to the issue, Pompeo announced the creation of the U.S. Commission on Unalienable Rights. Pompeo said he hoped the panel would conduct "one of the most profound reexaminations of the unalienable rights in the world since the 1948 Universal Declaration [of Human Rights]." 21

The panel's charge to provide, "an informed review of the role of human rights in American foreign policy," along with some of its members, raised alarm among human rights activists. Although the commission includes members from across the political spectrum, one of its key architects, Robert George, is a Princeton law professor who founded the

"We have a **great interest** in maintaining and strengthening the **Human Rights Council.**"

German Commissioner for Human Rights Policy & Humanitarian Assistance Bärbel Kofler (SPD) **June 2018** National Organization for Marriage, which opposes samesex marriage.²² The commission's chairwoman, Harvard law professor Mary Ann Glendon, served as George W. Bush's ambassador to the Vatican and is an outspoken abortion opponent.²³ She has written that human rights cannot be a uniform concept around the globe but should instead take into account local conditions and culture — an argument that human rights defenders fear could let authoritarians and abusers off the hook.²⁴

Beyond these concerns, the Commission on Unalienable Rights was established outside of the international framework and without buy-in or input from the international community, so its impact — and its ability to protect those whose rights have been violated — is questionable. At the same time, if the commission embraces a concept of human rights substantially different from the one enumerated in the Universal Declaration, it could undermine international efforts and bodies meant to protect those rights.

Human Rights Council. Clear and systemic problems with the council's organization and membership can make it a tool of bad actors. But by not only leaving the body, but also starting a new commission in Washington to ostensibly address human rights issues, the Trump Administration runs the risk of making human rights a partisan issue at home and limiting U.S. power to reform the U.N. council from within. German leaders, too, have expressed frustration with the council, but in the absence of the United States, they have shown willingness to take on responsibility on the council and on the international stage more broadly in addressing human rights. For example, after the killing of Washington Post journalist Jamal Khashoggi at the Saudi Consulate in Istanbul, Germany placed a ban on arms exports to Saudi Arabia.²⁵ Germany stood its ground on the issue, despite receiving pushback from France and the U.K., as the initial ban also prevented those countries from exporting arms made with German parts. Germany has also placed pressure on France and the U.K. to take measures to

THE BOTTOM LINE

For all of the current U.S. administration's disdain for supranational organizations and alliances generally, there is more than a grain of truth in its criticism of the U.N.

"Let's relish being **rebels**.

Despite what happens in D.C.,

we're still here."

California State Senator Ricardo Lara (Democrat)
November 2017



ensure that weapons systems they sell to the United Arab Emirates and Saudi Arabia are not used in Yemen.²⁶ Germany's willingness to take on leadership on human rights issues suggests that it may be up for the task.

2 **CLIMATE CHANGE**

Germany and the United States have also parted ways on the issue of climate change and, more particularly, on the U.N.'s role in addressing the crisis. Those differences are rooted in two very different political landscapes.

In Germany, climate change is widely accepted as a real, manmade, and pressing issue. In a 2019 survey by ARD-DeutschlandTrend, 86 percent of respondents said humans are to blame for climate change, while only 2 percent said they do not believe the climate is changing.²⁷ Young people across Germany have been organizing protests, walking out of their schools as part of the Fridays for Future movement. Although they might not agree on the solutions, most Germans at least agree on the problem.

Not so in the United States, where political polarization has entrenched beliefs about climate change and made it difficult for policymakers to address the issue effectively.

A 2019 Gallup poll found that 66 percent of Americans believe that climate change is caused by human activities, but there were sharp differences along party lines.²⁸ Eightynine percent of Democrats believe climate change is caused by human activities, as opposed to 34 percent of Republicans.²⁹ Furthermore, 66 percent of Democrats said they see climate change as a threat to life, while only 15 percent of Republicans do.³⁰

Democrats are generally united in their concern about climate change, with one part of the party pressing to make it a primary issue in the campaign for the Democratic presi-

dential nomination in 2020. They warn of natural disasters, displacement, and starvation if it is left unaddressed.

It was Obama who in April 2016 committed the United States to the U.N.'s Paris climate agreement, which aims to limit countries' greenhouse-gas emissions. And it was Trump who pulled the country out the following year, saying the pact would usher in excessive, job-killing environmental regulation.

In 2012, Trump said the concept of climate change had been cooked up by the Chinese. On the campaign trail four years later, he promised voters, "We're going to cancel the Paris climate agreement and stop all payment of U.S. tax dollars to U.N. global warming programs." ³¹ At a ceremony in the White House Rose Garden announcing the United States' withdrawal from the agreement, Trump said the decision was part of his "solemn duty to protect America and its citizens." ³²

In the same speech, Trump said he would be willing to renegotiate the deal with more favorable terms for U.S. workers, but the offer got no takers. In a statement released immediately after Trump's announcement, German Chancellor Angela Merkel, French President Emmanuel Macron, and then-Italian Prime Minister Paolo Gentiloni said, "We deem the momentum generated in Paris in December 2015 irreversible and we firmly believe that the Paris agreement cannot be renegotiated since it is a vital instrument for our planet, societies, and economies." 33

"THE RESISTANCE"

Trump's withdrawal, however, was not the last word heard on the subject from the United States, as state, local, and grassroots organizations banded together in opposition. The United States was represented at the U.N. climate talks in Bonn in November 2017 by two delegations – one of officials representing the administration and one of Americans who diametrically opposed the administration's policies.

"Greetings from the official resistance to the Trump administration," California state Senator Ricardo Lara told a crowd gathered at the talks. "Let's relish being rebels. Despite what happens in D.C., we're still here." ³⁴ Lara, along with then-California Governor Jerry Brown and former New York City Mayor Michael Bloomberg, vowed that the United States would work to meet its commitments to the agreement regardless of the president's decision.

Bloomberg and Brown lead the America's Pledge on Climate Change initiative, which brings together states, cities, counties, universities, and companies to ensure that the United States meets the goals of the Paris agreement.³⁵

At the Bonn conference, Merkel welcomed the America's Pledge movement, which she said "underlines the importance of climate protection in large parts of the U.S., regardless of the decision of President Trump to leave the Paris climate agreement." ³⁶

STATE CONNECTIONS

Even before Trump took office or made moves to withdraw from the climate pact, California and the German state of Baden-Württemberg had forged a connection to address climate change. From this partnership came the Under2 Coalition, a group of state and local governments around the world working to keep the rise in global warming to under 2 degrees Celsius. Launched in 2015 with 12 founders, the coalition now counts more than 220 members,³⁷ who commit to reduce their emissions to slightly below their 1990 levels and/or less than 2 metric tons per person, per year by 2050.³⁸

Since President Trump took office, and especially since the United States' rejection of the Paris agreement, these state-to-state relationships have become more important. Some in Berlin see states as the most reliable partners in the United States right now.

California is a particularly appealing partner given its economic might and influence on national environmental standards. California is home to 12 percent of the country's population, making it the most populous state, and its GDP of close to \$3 trillion amounted to nearly 15 percent of the United States' GDP in 2018.³⁹ If it were a country, California would be the world's fifth biggest economy. With such a sizable piece of the market share of the United States, policies set in Sacramento can be felt across the country.

In July 2019, for example, the California Air Resources Board struck a deal with four major automakers, including German companies Volkswagen and BMW, that account for 30 percent of the new cars and SUVs sold in the United States: In return for agreeing to sell a fleet of cars across the country that meet California's higher standards, the state would allow carmakers to use the credits they earn for selling electric vehicles against the emissions targets. California hopes to use the deal, with its nationwide reach, to thwart Trump's efforts to roll back Obama-era emissions regulations. However, Trump has made moves to block California's stricter standards.

WHAT'S MISSING

Cooperation among states in Germany and the United States, and subnational governments around the world, is an important step in addressing climate change. Climate can and should be addressed on the state and local level, and programs like the Under2 Coalition present an opportunity for commitment, collaboration, and knowledge-sharing.

As appealing as state-to-state cooperation is on climate change, though, it is not a substitute for a national climate change policy or international climate change frameworks like the Paris agreement. California can throw its weight around only so far: "red" states such as Texas, Alabama, or West Virginia take a very different view of climate change and enact far looser laws and regulations.

The United States remains one of the largest polluters in the world. Despite Germany's great strides on climate issues in recent years, it also remains a top polluter.⁴¹ Without an international framework, the two nations cannot reach their long-term potential on climate issues and will lose credibility in encouraging other nations, like China and India. to do the same.

Climate change is fundamentally a global problem. The impact of U.S. pollution will not be felt in the United States alone. Likewise, Germany's environmental practices will have repercussions beyond its borders. A global solution is needed, and the Paris agreement's power came from the fact that so many nations – large and small – had committed to it. Local and state cooperation is an important first step, but it cannot replace international agreements that hold all nations accountable.

LOOKING AHEAD

The United States' decisions to pull out of the U.N. Human Rights Council and to leave the Paris climate agreement created parallel structures for dealing with global problems, from a human rights commission at home to increased state-to-state cooperation on climate change. On human rights, this parallel structure could undermine the work of the United Nations, and in both cases, being on the outside could limit the United States' ability to affect change globally.

The two examples addressed in this paper are part of a broader pattern. The United States has withdrawn from other agreements – like the Iran nuclear deal – and organizations – like UNESCO. In doing so, Washington jeopardizes its own global standing and power, as it will no longer have a seat at the table when the international community addresses these issues and may not be seen as a reliable partner anymore.

And the U.S. exit from some of these agreements could have serious long-term repercussions. For instance, Iran exceeded its limit of enriched uranium as set by the deal after the American departure. Continuing to violate the agreement could get Iran closer to developing a nuclear weapon. Likewise, the U.S. decision to leave the Paris agreement is sure to have environmental consequences beyond U.S. borders.

As the United States takes a step back in the organization that it was instrumental in creating over seven decades ago, the question remains: Who will fill that void? Some of the United States' decisions to leave key U.N. agreements and organizations are reversible, but some are not. Germany, as a non-permanent member of the U.N. Security Council for 2019-2020, is positioned to fill some of the vacuum left by the United States' retreat.

Germany can shine a light on important global challenges – from climate change to crisis prevention – but it will have to take a much more active leadership role, to speak out more against injustices, and to sometimes stand alone. If Germany does not take on new responsibility, other powers, like China or Russia, could move to fill the space left by the United States.

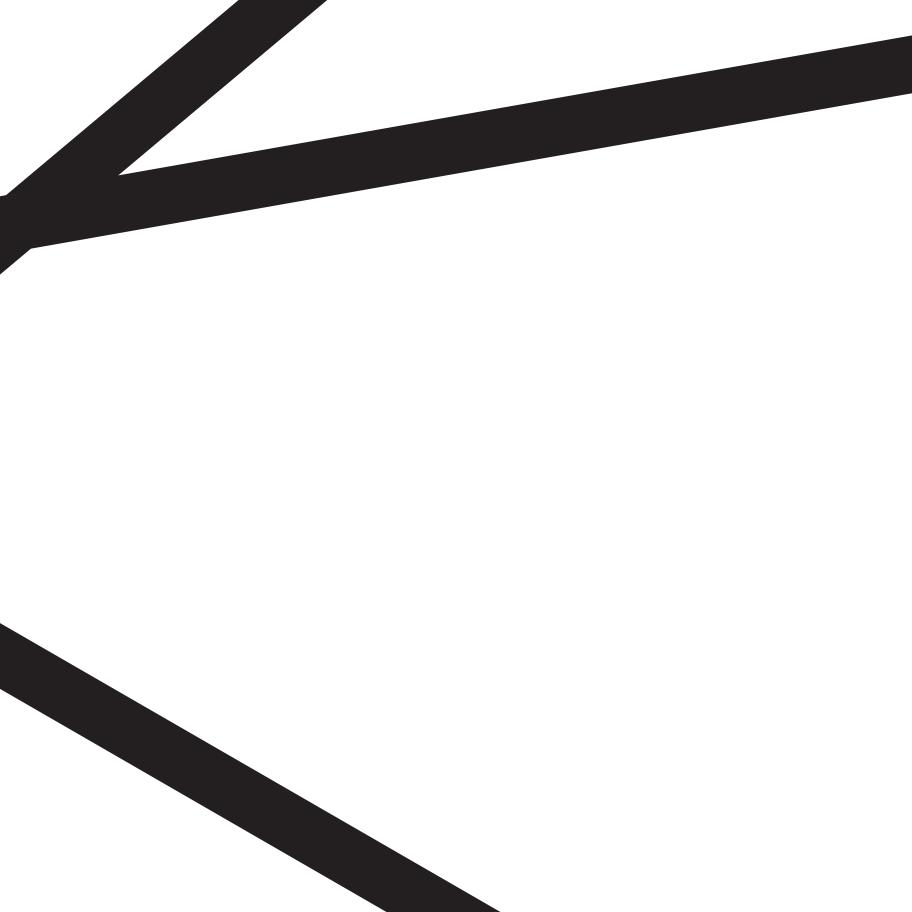


"I hope [The Commission on Unalienable Rights] will be one of the most profound reexaminations of the unalienable rights in the world since the 1948 Universal Declaration."

U.S. Secretary of State Mike Pompeo (Republican)

July 2019

VIO SECTION TWO



NO CONSENSUS:

GERMANY, THE UNITED STATES, CHINA, AND A DIVIDED WTO

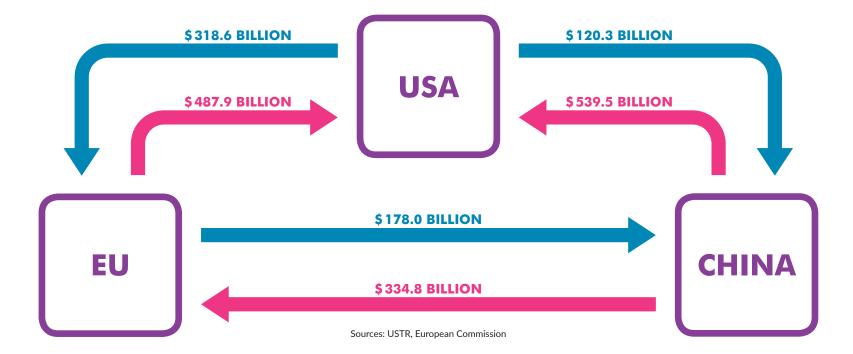
The World Trade Organization (WTO) was founded in 1995, born out of the 1947 General Agreement on Tariffs and Trade (GATT), setting out the rules that govern international trade today. In addition to providing a forum for trade negotiations, the WTO helps implement and monitor agreements, and supports developing countries as they build their trade capacity.

The WTO pushed beyond GATT to govern for the first time the trade of services and intellectual property and to help settle disputes among its members. Over the ensuing decades, however, cracks in the system have emerged that suggest an overhaul may be needed.

The trade body's problems are manifold. Among them: the WTO does not fully address important issues of the 21st century, from digital trade to new challenges associated with intellectual property, and its negotiating arm has yielded few results in recent years, in large part because consensus has become more difficult to reach in a time of rising divisions between its members.

Germany, which has long championed the rules-based world order, faces two intertwined challenges, from both west and east. First, U.S. President Donald Trump's tariffs — and threats of tariffs — have fractured the transatlantic alliance that was once the guardian of this rules-based system. Second, China's rising influence, particularly through

TRADE IN GOODS (2018)



its Belt and Road Initiative, has led to divisions within the European Union, as member states take different approaches to Beijing.

This paper explores what can be expected from Germany amid Trump's trade war and growing Chinese influence. These destabilizing forces dim hopes for achieving the consensus needed to reform the World Trade Organization and keep it functioning.

REFORM AND U.S. CRITICISM

Many of the WTO's members agree that it needs reform. In June 2019, trade and digital economy ministers from more than 50 countries convened at the G20 summit and vowed to "work constructively with other WTO members to undertake necessary WTO reform with a sense of urgency." 1

Two months later, world leaders attending the G7 Summit in Biarritz, France, declared their intention to "overhaul the WTO" to strengthen intellectual property protections, "to settle disputes more swiftly, and to eliminate unfair trade practices."²

Trump has been particularly critical of the WTO. In an interview with Bloomberg News in August 2018, he called the WTO "the single worst trade deal ever made" and threatened to withdraw from the organization if it didn't "shape up."³

The president argues that WTO rules are biased against the United States. He particularly protests the WTO's rule allowing countries to decide for themselves if they fall under the official designation of "developing," giving them advantages like more time to implement agreements.

Two-thirds of the WTO's members have claimed "developing" status, including economic powerhouses like Singapore, South Korea, and — especially irksome to Trump — China, the world's second largest economy.

Trump has also argued that the WTO's dispute settlement process is biased against the United States. His administration has even blocked the appointments of new judges to the organization's Appellate Body (AB), which handles appeals of dispute settlements. While blocking a judge's appointment is not unheard of — Barack Obama's administration blocked the reappointment of a judge for his role in several decisions that the United States opposed 4 -Trump's decision to unilaterally block all new appointments has handcuffed the AB. Currently only three of the seven positions on the panel are filled, the minimum number required to hand down a decision. In 2019, two of those judges' terms will expire, rendering the AB powerless and unable to take on new cases.⁵ A toothless AB would undermine the dispute system's credibility and ability to handle conflicts between its members.

TARIFF TERROR

To right the imbalance he perceives, and protect specific industries, like steel or aluminum manufacturers, Trump has also imposed tariffs on billions of dollars of goods entering the United States. Threats of even more tariffs, on goods like autos, have caused anxiety and uncertainty in the countries that would be affected.

Germany's would be among the economies hardest hit by a U.S. tariff on cars. Its auto industry accounts for approximately 5 percent of the nation's GDP, employing more than 800,000 people.⁶ Automakers are also a source of deep national pride, making them a particularly sensitive area to attack. Beyond giants like Volkswagen and BMW,

Germany has a vibrant ecosystem of auto parts suppliers that would also be hurt.

But German automakers are important to the United States as well: They employ thousands of workers across the country who produce hundreds of thousands of cars.⁷ "These cars are built in the United States of America. The biggest BMW factory is in South Carolina — not in Bavaria, in South Carolina," German Chancellor Angela Merkel told the annual Munich Security Conference in February 2019.⁸ Trade talks between the two countries have produced conciliatory statements on both sides, but Trump is still pushing to have "all automakers producing in the United States." ⁹

Trump could be singling out Germany and its prized industry for two reasons. First, he is frustrated by the trade surplus that it runs with the United States. He has repeatedly complained that the U.S. trade deficit with Berlin, which is \$30 billion, is particularly unfair given that Germany does not meet NATO's benchmark for defense spending (See chapter on NATO). Trump may hope that applying pressure on the trade relationship may force Germany to address both issues.

Second, the White House might hope that putting pressure on the EU's largest economy will help Washington to negotiate a more favorable trade agreement with the entire European Union. At the August 2019 G7 summit, the president claimed, "We're very close to maybe making a deal with the EU because they don't want tariffs." ¹⁰

THE RESPONSE

German lawmakers have responded to the tariffs and threats with talk of engagement and cooperation. However, they have also made clear that they are frustrated with the current situation. Economic Affairs and Energy Minister Peter Altmaier described the imposition of tariffs as "damaging" to both Europeans and Americans. "We remain convinced that it is right to fight for free trade and open markets, as well as international agreements," Altmaier said.¹¹

German leaders have focused on strengthening multilateral systems as Trump pursues his "America First" approach to trade. "Protectionism and trade conflicts endanger international free trade and thus the basis of our prosperity," Merkel said in her address at Harvard University's commencement in spring 2019. "More than ever, we must think multilaterally instead of unilaterally, globally instead of nationally, world-open instead of isolationist. In short: together instead of alone." ¹²

Merkel has championed a joint European response to Trump. At the G7 summit, she told reporters, "We want to talk now about the EU and the United States having deeper talks as quickly as possible. [...] We have a great interest in our trade being intensified. I think we can find solutions." ¹³ She continued, "Germany, within the framework of the EU, is working hard on this." ¹⁴

EU officials have echoed Merkel's appeal for an end to the tariffs. "Trade wars will lead to recession while trade deals will boost the economy," European Council President Donald Tusk said at the Biarritz summit. "For me it's absolutely clear that if someone, for example ... the United States and President Trump, uses tariffs and taxation as a political instrument, tool for some different political reasons, it means that this confrontation can be really risky for the whole world, including the EU." 16

Though it is in the European Union's DNA to smooth things over, Tusk also had a warning for Trump, saying, "If the U.S. imposes tariffs on France, the EU will [respond] in kind." ¹⁷

THE PEOPLE'S REPUBLIC

Meanwhile, China's growing pre-eminence in world trade and investment has put additional pressure on Berlin and Brussels to address some imbalances in the bloc's trade relationship with the People's Republic.

When China joined the WTO in 2001, many assumed the country would ultimately embrace free markets and capitalism. In 2001, Nicholas R. Lardy wrote in an article for the Brookings Institution, "The Chinese leadership has also come to realize that participation in an increasingly globalized economy requires not simply drastically reduced tariffs, but also the development of a market economy." ¹⁸

Nearly two decades later, China's economic might has grown substantially, but it has not opened up in the ways predicted in 2001. China enjoys access to the U.S. and EU markets, but China's own market is not equally open to the European Union or United States. Foreign firms hoping to set up shop there face myriad hurdles, from investment caps to joint venture obligations and technology transfer

"If some countries believe that one can do clever business with the **Chinese**, they will be surprised and at some point wake up in **dependence**."

German Foreign Minister Heiko Maas (SPD)

March 2019

requirements. Beijing's market interventions and the presence of state-owned enterprises further tilt the playing field.

Although the United States and Germany's economies are deeply intertwined with those of the People's Republic, the two have taken very different approaches to China's rising global influence and challenging trade practices. This distance has only widened in the recent trade conflict between the United States and Europe and has undermined their ability to stand up to Beijing on shared grievances.

WASHINGTON-BEIJING

Even more than Germany, China has been at the center of Trump's trade war. He has levied tariffs on hundreds of billions of dollars of Chinese goods, triggering China to respond with its own tariffs on U.S. goods. ¹⁹ The move could have dramatic economic repercussions, as China and the



"For all of the "geniuses" out there, many who have been in other administrations and "taken to the cleaners" by China, that want me to get together with the EU and others to go after China Trade practices remember, the EU & all treat us VERY unfairly on Trade also. Will change!

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U.S. President Donald Trump (Republican)
September 2019



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Trade with China accounted for 15.7 percent of U.S. trade in 2018.²⁰ China is using the multilateral rules-based system to address its problems with the United States, lodging a series of complaints with the WTO. Most recently, in September 2019, China lodged a complaint about the U.S. imposition of 15 percent tariffs on \$300 billion worth of Chinese imports.²¹ The complaint alleged that the tariffs were unfair and violate WTO rules given that they applied only to goods of Chinese origin. Furthermore, the tariffs were imposed without the United States first attempting to handle the dispute through the WTO.

United States are each other's biggest trading partners.

The WTO has not yet ruled on any of the complaints brought by China during Trump's trade war. The process is slow, and the rulings could take years.²² Even if the organization does make a ruling in these cases, it could undermine the WTO's credibility if either of the world's two greatest economic powers ignores the decision. Without a strong dispute settlement system, WTO members could - and likely would - pursue unfair trade practices.

ONE EUROPE?

The European Union and its member states have taken a different approach to the frustration they share with the United States on China's trade practices. The EU designated China an "economic competitor" in certain fields and "systemic rival," in a March 2019 strategy paper.23 The new designations may only be words, but they represent a less cautious approach to the People's Republic.²⁴

Although the European Union functions as a bloc for trading purposes, its members do not always present a united front, especially given the importance of relations with China to some of their economies.

Beijing has also cultivated relationships with individual members to further its efforts to increase its global influence. China's 16+1 initiative, for example, brings together 16 Eastern European nations, from Estonia in the north to Albania in the south. The group, which includes EU members and non-members, focuses on economic cooperation.²⁵ Although the European Union is investing heavily in Eastern Europe, many of these states are eager to bolster their economies through partnership with Beijing as well.

China has also courted EU members through its Belt and Road Initiative (BRI), offering investment on key infrastructure projects. In early 2019, for example, Italy's Eurosceptic government signed a non-binding agreement to join the BRI, with Beijing committing to developing certain Italian ports.²⁶ The deal, which would bolster the lagging Italian economy and give China better access to the European market, made Italy the first G7 country to participate in this way.

The deal was not welcomed in all quarters of the EU. Wary of Chinese intentions, German Foreign Minister Heiko Maas said, "If some countries believe they can do clever business with the Chinese, they will be surprised and at some point wake up in dependence." 27 European nations, Maas said, can, "only succeed if we are united as the EU." 28 Germany has long cautioned against EU countries pursuing independent links with China, fearing they diminish Brussels' leverage in negotiations with Beijing. Maas' predecessor, Sigmar Gabriel, called on China to pursue a "one Europe policy," and "not try to divide us." 29

But Germany has its own economic interests at stake in this debate. In 2018, China was Germany's most important trading partner, with the two countries exchanging nearly 200 billion euros' worth of goods. 30 Some point to Germany's annual strategic dialogue with the People's Republic as a sign that it is pursuing its own interests as well.31

CHINESE INVESTMENT

Berlin has long seen Beijing through an economic lens, focusing on the importance of the two nations' trade relationship, but lately these ties have come into question. In early 2019, the German Federation of Industries labeled China a "systemic competitor," and warned German companies not to become too reliant on the Chinese market. The group called for more cooperation within the European Union to address issues like market access.

After a major uptick in Chinese investment, Berlin became more cautious, introducing a vetting process for foreign firms looking to buy a stake of over 25 percent of a German company. Although the government has permitted most sales of German companies to Chinese investors, it blocked the sale of the machine tool maker Leifeld Metal Spinning AG in 2018,³² likely to keep the company's nuclear and rocket technology away from Beijing.

German officials also intervened in the summer of 2018 when Chinese investors planned to acquire a 20 percent stake of 50Hertz, an energy company that provides power to more than 18 million Germans.³³ Berlin worried that allowing critical infrastructure to get in the hands of foreign investors could present a security risk, so they found another buyer for the stake. KfW, a German state-owned development bank, agreed to make the purchase instead.³⁴

That intervention faced criticism in Germany and China, given that the Chinese investors wanted to buy a smaller stake than the 25 percent trigger. "Such a one-off decision runs the risk of hurting the climate for foreign investment," complained Stefan Mair, head of the German Federation of Industries.³⁵ Geng Shuang, a spokesman for the Chinese Foreign Ministry, said, "We hope the German side can objectively view Chinese investment and create a fair, open-market-access environment for Chinese companies

investing in Germany." ³⁶ Several months later, in December 2018, the vetting threshold was lowered to 10 percent. ³⁷

Germany, along with France and Italy, pushed the EU to create its own vetting process for foreign investment. Under the resulting regulation, introduced in April 2019, the European Commission can assess whether it deems a foreign investment a security threat and can help members share concerns and information about specific investments or investors. The final say on an investment, however, will rest with the country involved.³⁸

To prevent Chinese access to technology or control over critical infrastructure, Germany has pushed for increased scrutiny of Chinese investment, domestically and in the European Union. However, they must be cautious not to discriminate against companies and investors from the People's Republic, as that could undermine the credibility of the rules-based order they champion. The trick will be for Germany and the European Union to protect their interests while remaining open to investment. Absent a rules-based solution to concerns about technology transfer and intellectual property within the WTO, each nation or bloc is forging ahead on its own path to address these issues.

TRANSATLANTIC COOPERATION?

The transatlantic alliance has long set the standards and rules for free trade, from within the WTO and GATT before it. Maas, the German foreign minister, has advocated for a transatlantic approach to China. "We need to deal with China's political and economic influence around the world. The central issue is defending and protecting our rules-based order," he told the American Council on Germany in April 2019. Maas continued:

We should therefore pull together when we try to get China to accept greater responsibility as an international player and a leading economic power. That applies particularly with regard to Chinese competition and trading practices, Chinese investments, and reform of the World Trade Organization. We are interested in welcoming China as a constructive player in the reform of the multilateral system.³⁹

Any "pulling together," however, will likely have to wait until Trump is no longer president, for he eyes the EU warily. In September 2019, he tweeted:

For all of the "geniuses" out there, many who have been in other administrations and "taken to the cleaners" by China, that want me to get together with the EU and others to go after China Trade practices remember, the EU & all treat us VERY unfairly on Trade also. Will change!

Instead, Trump has tried to push his own agenda on his country's European allies. American officials, for example, view Chinese telecommunications giant Huawei as a security threat and have tried to get European allies to freeze out the company.

Washington suspects that Huawei may have developed "back doors" in its technology that could be used for government surveillance. Indeed, some vulnerabilities have been found in Huawei's devices, like its home wireless routers. However, backdoors are not uncommon, as they can be used by companies to manage the devices. The company argues that such vulnerabilities were never exploited and the issues have been resolved.⁴¹ Officials in Washington worry that the company, and its founder and CEO, Ren Zhengfei, may have close ties to the communist party and military.

Trump's brash ambassador in Berlin, Richard Grenell, warned that the United States might reduce intelligence sharing if Germany were to use Huawei technology in its 5G infrastructure. Unfazed, Merkel responded, "Security, particularly when it comes to the expansion of the 5G network, but also elsewhere in the digital area, is a very important concern for the German government, so we are defining our standards for ourselves." Berlin has required companies wishing to participate in the development of the 5G network to show that they meet certain security standards. Germany's willingness to use the Chinese technology has paved the way for other European nations to do the same.

INTELLECTUAL PROPERTY

The need for the WTO to adopt stronger intellectual property protections was made clear in a series of recent WTO complaints filed against China. In March 2018, the United States filed a complaint against China's policy of forcing foreign companies that want to operate in China to allow Chinese companies to own or use their technologies.

Three months later, the EU filed a similar complaint.⁴⁵ Cecilia Malmström, the bloc's trade commissioner, noted, "We cannot let any country force our companies to surrender this hard-earned knowledge at its border. This is against international rules that we have all agreed upon in the WTO. If the main players don't stick to the rulebook, the whole system might collapse." ⁴⁶ Although the complaints were aligned in many ways, they were not fully coordinated, given the current tension between Brussels and Washington.

The United States and the EU did more than \$1 trillion worth of trade with China last year.⁴⁷ In normal times, that might confer major leverage on Washington and Brussels,

but with the transatlantic relationship frayed, they present a divided front to Beijing. If the WTO complaints show the need to beef up intellectual property rules, the transatlantic split shows how hard that will probably be.

LOOKING AHEAD

Germany's commitment to multilateralism and the rulesbased order has been tested deeply in the arena of trade in recent years. The United States continues to pursue its own agenda, imposing and threatening tariffs, while China expands its reach, from the purchase of companies to investment in the Belt and Road Initiative.

Alone, Germany lacks the muscle to enforce the existing system, let alone push for real reform at the WTO. And alone Germany has been, as the tensions mount between the Federal Republic and the United States, and differing strategic interests emerge among EU countries. Without a strong and united Europe, and a strong transatlantic relationship, Germany is unlikely to have the political capital or economic clout to preserve this order.

Confrontational though they are, Trump's trade policies only pushed through cracks that were already showing between Germany and the EU on the one side and the United States on the other. On China, for instance, Washington has long been more cautious and security-conscious, and Berlin, more focused on economic opportunities. And the differences extend beyond policymakers. The Trans-Atlantic Trade and Investment Partnership – a proposed trade agreement between the European Union and the United States commonly known as TTIP – died in 2016 when protesters in Germany and elsewhere in Europe clogged the streets. They feared the agreement would lower environmental and labor protections and give too much power to multinational corporations.

So can Germany hold together the rules-based order that is being tested by China and its tetchy ally, the United States? To have any hope of doing so, it will likely need to continue what it is doing now: Avoid provoking Trump into rash protectionist moves while waiting out this U.S. administration and working to keep the EU in a tight embrace. It might also need sometimes to put the EU's relationship with China ahead of its own domestic agenda.

Similarly, Germany and like-minded countries need to keep pushing for WTO reform, especially for intellectual property protection, even as they face stiff headwinds. At least this is an area where U.S. and German/European interests coincide — which is important at a time when relations are so unsettled — and where difficulties with China can be addressed.

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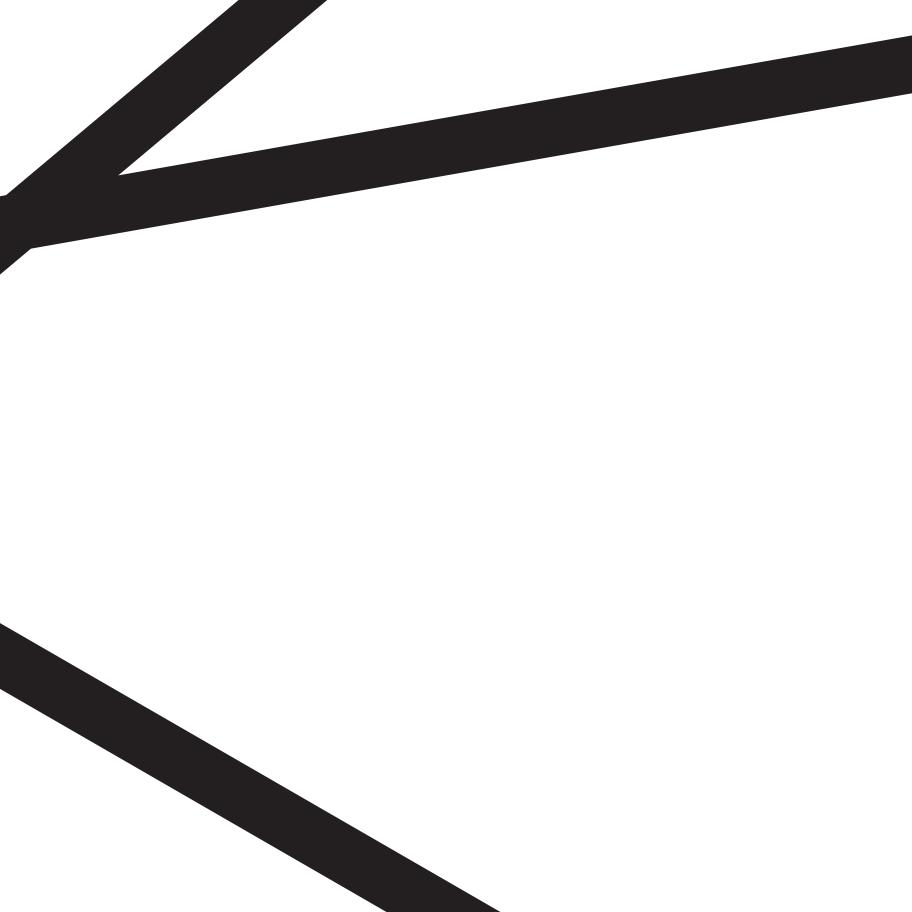
"Protectionism and trade conflicts endanger international free trade and thus the basis of our prosperity. [...] More than ever, we must think multilaterally instead of unilaterally, globally instead of nationally, world-open instead of isolationist. In short: together instead of alone."

German Chancellor Angela Merkel (CDU)

May 2019

NATO

SECTION THREE



RETHINKING NATO:

THE COST OF COLLECTIVE DEFENSE

After years of hand-wringing and quibbling over how much to spend on defense, NATO members got a reminder why defense spending mattered in early 2014, when Russia seized Crimea. Ukraine is not a member of the alliance, but Russia's aggression raised alarms throughout NATO countries, particularly those in Eastern Europe. When NATO leaders met in Wales that September, they resolved that all members would aim for the alliance's long-held target for annual defense spending, 2 percent of GDP, by 2024.¹ Germany signed on, if reluctantly.

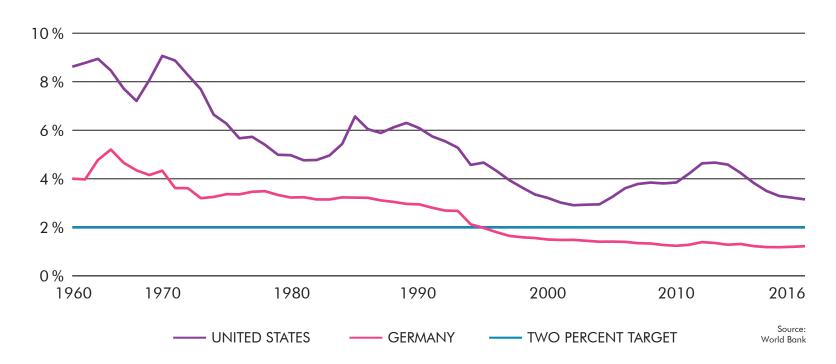
Chancellor Angela Merkel told reporters at the Wales Summit that some goals for increasing spending had been agreed to, but, "In any case, we commit not to decrease the defense budget." ²

The following year, in the summer of 2015, the European Union was reminded that conflict and unrest abroad can have a very real impact at home: hundreds of thousands of refugees fleeing war in the Middle East poured into Europe by foot, bus, boat, and train.

When other European nations closed their doors, Merkel kept Germany's open, telling her people, "wir schaffen das" — "we can do this." As Hungarian Prime Minister Viktor Orbán ordered the construction of miles of razor-wire fencing

INVESTMENT IN DEFENSE

AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT



along Hungary's border with neighboring Serbia and Croatia, the German government built makeshift accommodations around the country for the newcomers.

The refugees' arrival served as a reminder for leaders across Europe that poverty, conflicts, and war in the Middle East and North Africa are global problems, not local ones. Although a deal with Turkey — a transit or destination country for millions of Syrian and Iraqi refugees — has stopped mass movements of people into the EU for now, war still rages and people remain desperate. Europe is far from finding a sustainable solution to the issue.

INVESTMENT IN DEFENSE

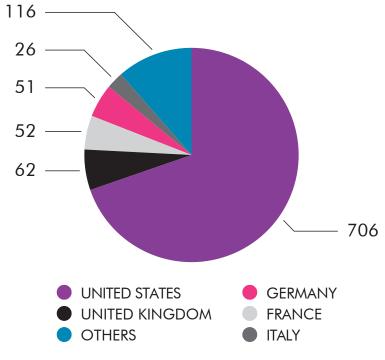
Germany and other NATO countries in Europe live with the impact of violence and instability abroad, but that has not translated into any immediate plans for intervention or a substantial increase in defense spending. Five years after the Wales Summit Declaration, just over half of alliance members are on track to reach the 2 percent spending goal by 2024.

In 2018, the United States spent over 3 percent of GDP on defense, while Germany spent just 1.2 percent. German policymakers have lowered their sights, aiming to spend 1.5 percent of GDP by 2024 and reach the 2 percent guideline sometime later, but it's unlikely that Germany will reach even this lower target.

The defense budgets of NATO allies have long been a source of frustration for U.S. policymakers on both sides of the aisle, who argue that the United States is shouldering the cost of European defense. "If we've got collective defense, it means that everybody's got to chip in," President Barack Obama said after Russia's annexation of Crimea. "And I have had some concerns about a diminished level of

WHO PAYS FOR NATO?

2018 ESTIMATE | TERMS IN BN\$ | TOTAL \$1.013 TRN



Source: The Economist

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defense spending among some of our partners in NATO." Still, no one questioned the commitment of Obama or the United States to multilateralism, nor their readiness to defend allies. That certainty is gone now.

President Donald Trump regularly berates NATO countries for their inadequate defense spending, frequently singling out Germany. He has even threatened to leave the alliance, reportedly telling leaders of other NATO countries in a closed-door meeting in July 2018 that the United States "would have to look to go its own way," 4 if they did not spend more on defense. Given Trump's willingness to shrug off alliances and international agreements, such as the Iran nuclear deal and the Paris Agreement on climate change, his audience took the threat seriously.

UNPOPULAR PROGRAMS

Regardless of external pressure, though, German policy-makers face strong opposition from their own voters to increased defense spending. In a recent poll from YouGov and Handelsblatt, 59 percent of Germans said they did not favor increased military spending.⁵ And in a March 2019 poll from ARD-DeutschlandTrend, most respondents said they would prefer to put German budget surpluses into education (33 percent), health care (32 percent) and maintaining infrastructure (10 percent). Only 3 percent supported using the 2018 budget surplus for military spending.⁶

Simply by advocating for it, Trump may have made NATO's 2 percent benchmark toxic for German politicians. Although the policy long predates Trump, it has been closely linked to the U.S. president, who is deeply unpopular in Germany. Some policymakers in Berlin yoke Trump to

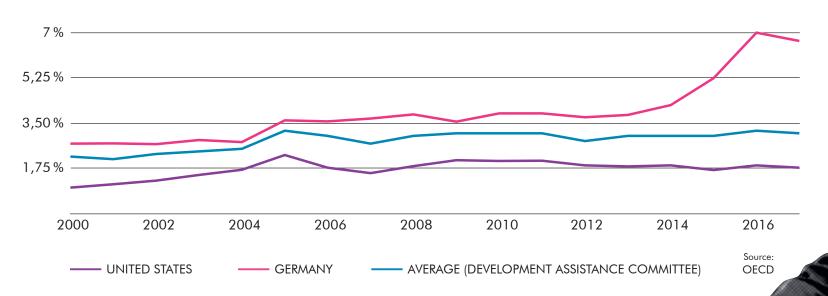
the NATO benchmark in order to campaign against higher defense spending. Thorsten Schäfer-Gümbel, interim chairman of the Social Democratic Party (SPD), warned against "a policy of building up the military based on the wishes of Donald Trump." Likewise, Anton Hofreiter, co-chairman of the Green Party's parliamentary group, urged against "following after the irresponsible politics of Trump," which would only lead to "more insecurity for all." 8

A MORE ACTIVE ROLE

Germany's dark history in World War II is often used to explain the country's cautious military approach today. Germany has long participated in missions under the leadership of NATO or the United Nations, but it has not led the charge. The Bundeswehr (federal armed forces) "lives" the strategy of "leading from the middle," then-Defense Minister Ursula von der Leyen wrote in a 2016 white paper on security

DEVELOPMENT AID

TOTAL, % OF GROSS NATIONAL INCOME



policy.⁹ In recent years, however, especially after the arrival of refugees in 2015, German policymakers have urged the country to take on a larger role. In her introduction to the same white paper, Merkel wrote: "Germany's economic and political weight obliges us, together with our European and trans-Atlantic partners, to take responsibility for the security of Europe in order to jointly defend human rights, freedom, democracy, rule of law, and international law." ¹⁰ Germany has indeed taken on new and significant responsibilities. Since 2017, the country has led a force of 1,200 NATO troops in Lithuania, meant to strengthen the alliance's defenses along its border with Russia.

Defenders of Germany's military budget have argued that the country's leadership and commitment of troops in places like Lithuania should be taken into account when measuring its contributions, as they may not fall neatly into the 2 percent figure.



DEVELOPMENT AID

Some officials also argue that Germany's responsibility to protect global order is being met in ways not directly connected to defense. In 2018, Germany's coalition government vowed to match additional defense spending euro-for-euro with development aid. The coalition agreement promised to "close gaps in the capacity of the Bundeswehr and strengthen European cooperation in defense," and to give civilian-led foreign policy and development aid a more prominent role in peace and security policy.¹¹

Germany is not alone in its view that spending on things other than armaments and warfare should be acknowledged as contributions to peace and security. Italian law-makers complained in early 2019 that the 2 percent figure does not include infrastructure defense or cybersecurity at home. Defense Minister Elisabetta Trenta argued that non-military spending – especially given the complex threat landscape – is critical for national security. Security 13

60 BILLION EUROS

"Money that would not be spent on development cooperation. Money that wouldn't be spent on fighting hunger. Money that wouldn't be spent on climate protection."

Anton Hofreiter, MdB (Bündnis 90/Die Grünen)
March 2017

"If we've got collective defense, it means that **everybody**"s got to chip in. And I have had some concerns about a diminished level of defense spending among some of our **partners** in NATO."

U.S. President Barack Obama (Democrat)

March 2014



Germany's ruling parties also pledged to try to prevent another migrant influx like that in 2015 by addressing some of the causes of migration. They promised to focus on development cooperation, humanitarian engagement, peace missions, free trade agreements, and climate protection, and they vowed to end German weapons exports to crisis regions.¹⁴

The country has nearly doubled its development assistance, from 0.37 percent of gross national income in 2007 to 0.67 percent a decade later.¹⁵ By comparison, U.S. development aid inched up from 0.16 percent of GNI to 0.18 percent in the same period. The coalition government in 2018 set 0.7 percent as its goal,¹⁶ a UN standard few nations have achieved.

Although the number of new arrivals has plummeted since 2015, hundreds of thousands still come to Germany every year seeking safety and a better life. In part to stanch that flow, in 2017 the Ministry of Cooperation and Development launched the Marshall Plan with Africa, which aims "to strengthen the African states' own development

"It is a matter of mutual **trust**. It is a matter of whether Germany is a reliable **partner**. [...] It isn't about President Trump. It isn't about NATO. It is about our **duty** to our **soldiers**."

Federal Minister of Defence
Annegret Kramp-Karrenbauer (CDU)
June 2019

capacity." ¹⁷ The program targets issues from infrastructure to vocational training and seeks to develop locally driven and sustainable solutions to problems. ¹⁸ If successful, advocates argue that the program could contribute to peace and prosperity in the region. Nevertheless, the Trump administration rejects Germany's crisis prevention and development spending as an offset for its defense responsibilities.

PARTY POLITICS

Although Germany has a handful of strong political parties, the center-right Christian Democratic Union (CDU), its Bavarian sister party, the Christian Social Union (CSU) and the center-left Social Democratic Party (SPD) have long domi-



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nated the political landscape. Since 1949, the chancellor of the Federal Republic has come from one of these parties.

The two parties worked together in a coalition government to accept refugees in 2015, and also committed to increasing development spending. Initially, both the CDU/CSU and SPD also supported Germany's commitment to spending 2 percent of GDP on defense. Frank-Walter Steinmeier, an SPD politician who was foreign minister at the time, told the Munich Security Conference in 2015 that "Germany will help to strengthen multilateral institutions. [...] at the NATO summit in Wales we demonstrated that we can respond in a united manner." ¹⁹

Since then, however, establishment parties have been under pressure from challengers on the right and left, as has been the case across Europe, and they are scrambling to adapt to the shifting political dynamics. During the 2017 federal election campaign, the SPD rejected major increases to the defense budget, likely, in part, to create some distance from the CDU/CSU.²⁰ Thomas Oppermann, then the chairman of the SPD parliamentary group and now the vice president of the Bundestag, argued in the run-up to the election that meeting the 2 percent goal was the "wrong way" and that under the SPD, "defense spending will increase, but it must not follow an irrelevant logic of quotas." The SPD platform instead emphasizes increased European cooperation on defense and increased spending on social programs.²¹

Both centrist parties did poorly in the 2017 federal elections. The CDU/CSU lost 65 seats in the Bundestag, while the SPD lost 40. Some voters went to the far-right, anti-immigrant Alternative for Germany (AfD) party, while many young people continue to move to the progressive Green Party.

BLACK ZERO

Defense and foreign aid spending hikes have also faced a formidable foe in Wolfgang Schäuble, a CDU leader who served as finance minister from 2009 until 2017 and championed Germany's notorious policy of austerity. Schäuble unveiled the so-called schwarze Null, or "black zero," policy, which prohibited Germany from taking on new debt and continues to shape Germany's national budget. Schäuble and then-Defense Minister von der Leyen at times butted heads about the defense budget, but their CDU party officially maintained its commitment to the 2 percent guideline on an extended timeline.

Largely thanks to Schäuble's discipline, Germany brought its debt to under 60 percent of GDP in 2018, an EU benchmark that most members have not achieved. The average debt load for EU countries was 80 percent of GDP in 2018, although in some countries, such as Greece (181.1 percent) and Italy (132.2 percent), it is much higher.²²

In 2018, Olaf Scholz, an SPD politician, took over as finance minister in the coalition government of the CDU/CSU and SPD. A former mayor of Hamburg, Scholz pledged to continue Schäuble's "black zero" approach. Since then, however, the economy has cooled and the choices have gotten tougher.²³ Early this year Scholz said, "The good times, in which the state always takes in more taxes than expected are coming to an end. [...] The years of plenty are over." ²⁴ He also called for substantial budget cuts to prevent the country from taking on new debt as economic growth slows.²⁵

As a result, Germany's budget for 2020 and beyond includes modest increases in defense spending that will not get the country to its revised 1.5 percent of GDP goal by 2024.

Likewise, development aid, which had increased dramatically, will be trimmed in the coming years.²⁶ Scholz's budget was criticized for failing to honor the coalition's commitment to increase defense and development spending on an equal footing. Scholz, however, has dug in on the need to maintain "black zero."

LONG-TERM OUTLOOK

When Kramp-Karrenbauer took the helm of the Defense Ministry in July 2019, she demanded that Germany commit more funds to defense. "NATO is the guarantee of our security," ²⁷ she told the Bundestag, urging members to shoot for the 2 percent benchmark. "This is not about – to be clear – wishes from outside," she said, but rather about "our federal armed forces." ²⁸

With an eye on the Chancellery after Merkel leaves office in 2021, Kramp-Karrenbauer likely hopes to prove herself as a strong leader at the Defense Ministry. But while she is a powerful player, as head of the Christian Democratic Union and Chancellor Merkel's heir-apparent, she does not hold the purse strings. Her ministry will probably not get enough funds to fulfill Germany's commitments to NATO, given the Finance Ministry's unwillingness to waiver from its "black zero" approach.

As refugees entered Germany in 2015 and 2016, it appeared as if Germany might be ready to take on a new role in the world. Even after the Turkey deal, which slowed the flow of refugees into the country, Germany appeared poised to invest more in development abroad – which could serve a dual purpose of both reducing the number of refugees entering Germany as well as contributing to peace and stability in the nations helped. Now, as Germany's economy cools, its commitments to defense and development are being tested. Germany's budget suggests that it may be failing.

NEW GOVERNMENTS, SAME CHALLENGES?

Germany's center-right CDU/CSU is the country's most powerful advocate for increased defense spending, but as its popularity wanes, and that of the Greens rises, Germany's long-term commitment to increased defense spending may be on the line. The Christian Democrats are losing ground to the Green Party, which was born from the peace movement of the 1970s. Once a small opposition party, the Greens now consistently poll 5 to 10 points ahead of the SPD and at times nearly pull even with the CDU/CSU.²⁹ They were the second strongest party in the 2019 European Parliament elections, commanding 20.5 percent of the vote in Germany, more than double their success in the previous elections.³⁰

True to their pacifist roots, the Green Party's platform puts "civilian crisis prevention at the center of German foreign policy." It calls for "a culture of military restraint" and says the federal armed forces should be used for "international peacekeeping, primarily under the leadership of the United Nations." 31

Given its growing support, the Green Party will have a louder voice in Berlin than ever, either in opposition or as part of some future ruling coalition. That will likely put Germany's adjusted goal of spending 1.5 percent of GDP on defense by 2024 further out of reach.

German officials from all parties could be hoping that a new U.S. president will be in office by the time they and other allies fall short of their 2024 commitments, but if Trump wins reelection in 2020, the threat would remain of a NATO without the United States. Even a different president, though, would likely be frustrated, as Obama was, by NATO members' failure to meet the 2 percent threshold.

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LOOKING AHEAD

Global threats do not look the same as they did in the mid-20th century, when NATO was established. Traditional military threats remain, especially for Russia's neighbors, but now, for instance, Russia's tentacles extend through cyberspace, far beyond its neighborhood. Cyberattacks, disinformation campaigns, strategic competition with China, hybrid warfare and a host of other threats face the alliance, so it can ill afford internal disagreements over burden sharing. Fighting among members threatens to undermine NATO's raison d'etre. Secretary General Jens Stoltenberg told a security conference in 2019:

NATO is an alliance based on the principle, 'one for all and all for one' and as long as we stand together and as long as we also convey a clear message that if one ally, one member is attacked, that is regarded as an attack on all allies, then we are safe, then we are secure and we prevent conflict.³²

NATO countries have increased defense spending almost every year since 2015,³³ but the United States, with less than half of the alliance's population, continues to account for about 70 percent of NATO countries' defense spending.³⁴

Despite Trump's best efforts to force allies to spend more, Germany is unlikely to reach its commitment to spend 2 percent of GDP on defense in the near future. Domestic attitudes about the military and conflict, the rise of the Greens, and the Finance Ministry's fealty to the "black zero" policy make the goal untenable at home.

Germany's response to the refugee arrivals in 2015 and 2016 and corresponding increase in development spending suggest that Germany – and the German people – may be willing to take on more global responsibility to ensure peace and security through other means.

However, as Germany slashes its development budget, its argument that they are contributing in other ways to global peace and security will carry less credibility. Germany's commitment to such programs would need to be permanent, not just investments made when the economy is thriving.

Increased commitment to crisis prevention and development aid could benefit the security of all NATO members. Development spending is not a replacement for defense spending, but a reframing of the problems and the solutions might help the alliance move beyond these tensions and maintain its strength.



"It is simply unacceptable for Europe's largest economy to continue to ignore the threat of Russian aggression and neglect its own self-defense and our common defense at such a level."

U.S. Vice President Mike Pence (Republican)

April 2019

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ABOUT THE BERTELSMANN FOUNDATION

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