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**“The Alliance in Question?
The Transatlantic Relationship
in an Era of Disruption”**

A German-American Conference

Held by the American Council on Germany and Atlantik-Brücke

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Over the past year, the strong alliance between the United States and Germany has weakened as both countries have been more inwardly focused. Finding common ground to address common concerns has become more challenging as President Trump has questioned many of the tenets of the transatlantic relationship, threatened trade tariffs on European allies, withdrawn or threatened to withdraw from international agreements that the EU is strongly committed to, and expressed skepticism about the value of many multilateral institutions that have served as the foundation of the Western democratic liberal order. In Germany, the prolonged coalition talks, the growth of the Alternative for Germany (AfD) political party on the right, the continued challenges posed by the massive influx of refugees, and uncertainty about the future of the EU have also disrupted business as usual.

Amid these developments, transatlantic dialogue on a range of issues of mutual concern is now more important than ever. To help address the challenges facing the German-American partnership and explore a path forward, the American Council on Germany and Atlantik-Brücke convened a conference in Washington, DC, titled “The Alliance in Question? The Transatlantic Relationship in an Era of Disruption.” Held at the Dirksen Senate Office Building, close to 200 people engaged in discussions on the risks to the liberal order, the rising influence and challenge of China to Europe and the United States, the impact of increased migration and movement of refugees, divergent views on foreign and security policy as well as trade and economic policy, the sociopolitical challenges of digital disruption with increased automation and AI, and the growing distrust for media and democratic institutions on both sides of the Atlantic.

ACG Chairman **Ambassador John B. Emerson** and Atlantik-Brücke Chairman **Friedrich Merz** launched the conference by noting the importance of strong collaboration across the Atlantic. Ambassador Emerson encouraged conference attendees each to think about at least one action that could be taken to help improve the relationship from the range of issues being covered. Mr. Merz stressed the importance of the United States, Germany, and the EU having the will to work strategically on the alliance, saying that continued transatlantic dialogue on all of the conference’s topics is critical to preserving the liberal order.

ADDRESS: SETTING THE STAGE: OUR LIBERAL ORDER AT RISK: WHAT ARE WE FIGHTING FOR?

Edward Luce, Chief U.S. Commentator for the *Financial Times* and author of *The Retreat of Western Liberalism*, identified the U.S.-German relationship as the most important one for the EU, and one of the most important relationships in the world today – a powerful statement coming from a Brit. Mr. Luce described how the “global democratic recession” that the world is currently experiencing was seeded long before 2016 and began with the restriction of freedoms in response to the 9/11 attacks and the war in Iraq, both of which diluted the democratic principles associated with the United States. Within countries there is also a growing cynicism about establishment politics and institutions as politicians struggle to handle economic challenges. As the middle class shrinks economically, the middle shrinks in politics and society as well, leading to a shift to extreme parties – and making the implementation of appropriate policy solutions more difficult. This creates a vicious cycle, with a declining level of trust and a rise in populist tendencies.

In contrast, China’s economy continues to grow and the country’s Belt and Road Initiative extends infrastructure and economic development well beyond China to countries in desperate need of support. Coupled with Trump’s “America First” agenda, the struggles of democratic countries to provide economic progress, and the polarization created by free and open social media, China’s authoritarian system provides a powerful counterargument to the idea that democracy is the better system for today’s challenges. Germany in fact stands out from most advanced nations today for its focus on human dignity in its constitution and its respect and support for the middle class. However, Germany’s budget decisions

can be very costly for its partners in the EU and its trade relationship with the U.S. The West must improve its ability to showcase why its democratic, rules-based system is the least worst system, and this must be achieved through transatlantic collaboration.

PANEL: CHINA: A COMMON CHALLENGE FOR EUROPE AND THE UNITED STATES

As China assumes an increasingly powerful role on the world stage, it is displacing the decades-old economic, political, and military balance of power in parts of Asia. It is therefore critical that Europe and the United States find common ground on how to respond to the rise of China – and also a possible avenue to help bring them closer together.

Moderator **Dr. Daniel M. Kilman**, Senior Fellow in the Asia-Pacific Security Program at the Center for New American Security, began the discussion by repeating the three political windfalls for China since 2000 that had been described by Edward Luce:

1. Post-9/11 restrictions on freedom in major democracies have led to the diminishment of the rule of law (e.g., the invasion of Iraq and subsequent scandals and policies prioritizing security over freedom).
2. The recession of 2009 enhanced the frustration of the middle class in the U.S. and Germany, while at the same time China was growing quickly. China used this period to build its soft power (investing in developing countries and advertising the benefits of its authoritarian model).
3. Xenophobic leanings, as witnessed in the cases of Brexit and Trump in 2016, demonstrate that democracy is tarnished, and this has given Xi Jinping (and other authoritarian leaders around the world) an opportunity to consolidate power internally for their authoritarian systems.

Dr. Oriana Mastro, Jeane Kirkpatrick Visiting Scholar at the American Enterprise Institute, led off the discussion by examining the prospect of U.S.-China conflict and the potential impact on Europe, since Europeans tend to underestimate the likelihood it could occur. Dr. Mastro stressed that there is no conflict between the people of the U.S. and China, but that a shift is occurring as the Chinese government increases its efforts to highlight ideological differences. China wants significantly more influence in Asia, and this could lead to purposeful escalation by either China or the United States. While a full-blown war is unlikely given the economic interconnectedness between the two countries, military skirmishes are not out of the question. Given that the U.S. and the EU have similar interests in China, and a dominant China is equally bad for the U.S. and the EU, Dr. Mastro suggested that the EU should more visibly support American efforts in the region.

Dr. Norbert Röttgen, a member of the German Bundestag and Chairman of the Foreign Affairs Committee, concurred on the need for a joint EU-U.S. China strategy based on what is good for the Western world, saying that a common policy was currently in very bad shape. The U.S. view is that China is becoming a competitor, an adversary, and a threat. The EU view is that while China behaves badly, U.S. actions and policies under President Trump make it challenging to develop a common approach. China is committed to reducing the impact of climate change, and the U.S. is not, as demonstrated by the decision to step back from the Paris Agreement. There are many legitimate issues with Chinese trade policy that need to be addressed, but President Trump's unilateral actions have violated WTO rules and not just been directed at China, but impacted multiple countries, including European allies. Dr. Röttgen said the EU is totally absent on the topic of Asian regional security and that China is taking advantage of nation-state competition among EU countries, which leads to an overall weak position by the EU. Unity within the EU, as well as U.S.-EU cooperation, is needed to confront the Chinese forced technology transfer and barriers to accessing their market.

M. Hanscom Smith, Acting Director for China and Mongolia Affairs in the Office of East Asian and Pacific Affairs at the U.S. State Department, indicated that despite the trade friction with China, the United States is committed to a progress-based relationship. He cited how much the U.S. was doing to work with China to increase pressure on North Korea. In terms of efforts to contain and confront Chinese economic influence, Mr. Smith highlighted the Trump administration’s “Free and Open Indo-Pacific” strategy.

Dr. Eberhard Sandschneider, Professor at the Freie Universität Berlin and Partner at Berlin Global Advisors, was critical of the European and German approach to China, saying that China is talked about a lot, but that the EU does not have a security perspective vis-à-vis China. The rise of China is normal and not surprising given the country’s size. China is using communications technology and the internet to increase control over its people, the opposite of what was anticipated – which was that the internet would open things up in China. Furthermore, the Belt and Road Initiative is now the biggest geopolitical challenge to the United States. Without a common U.S.-EU approach, why should China do what we want them to do?

In a lively Q&A session, the panelists pointed out that comparisons of the Belt and Road program with the Marshall Plan were not accurate, since the Belt and Road program is solely about expanding Chinese interests and is in fact creating antipathy toward China as opposed to the appreciation and goodwill the Marshall Plan accomplished. Dr. Röttgen said there is no “Chinese dream” that people aspire to and that this provided an opportunity for the West and transatlantic cooperation. However, Dr. Sandschneider suggested that perceptions inside China are what matter. He also said the Chinese understand that they do not have close allies and soft power – and they don’t care. China is focused on its own interests and has enough partners that help the Chinese grow in influence.

Dr. Mastro explained that the Chinese were approaching their global rise differently than nations had in the past, focusing almost solely on building economic power rather than with colonies and military bases in different parts of the world. As China’s economic power grows, however, its desire for military expansion will grow, too. The United States would like more European political support for security actions in Asia, such as in the South China Sea, but the EU does not want to risk losing the economic benefits that exist with China. Dr. Sandschneider indicated that the Chinese are working diligently to split the EU, and the EU from the U.S., by putting money on the table to divide and conquer. Dr. Röttgen concurred, saying the EU’s absence and lack of coherence and decisiveness vis-à-vis China is helping its rise. The panelists saw a need for the United States and Germany to partner against China to compete on economic and security topics and win the support of nations in Asia and eastern Europe.

CONVERSATION: TACKLING TODAY’S GLOBAL CHALLENGES

In a conversation moderated by **Klaus-Dieter Frankenberger**, Foreign Editor at the *Frankfurter Allgemeine Zeitung*, **Denis McDonough**, former White House Chief of Staff and Senior Principal at the Markle Foundation, discussed the three issues that he believes will shape the next few decades:

1. *Refugees and the massive movement of people resulting from conflict and the impact of climate change.* How the world treats these people matters, because it demonstrates the value of our principles to the rest of the world. No one asks China to take refugees – they expect Germany and the U.S. to take them. Migrants also serve as an infusion of new ideas and strengthen our countries, but this can be extremely challenging to promote unless people listen to, and believe in, facts.
2. *The growth of automation and AI.* Studies show that 30 percent of the tasks in 60 percent of jobs will be replaced by machines. Thinking about how this will impact workforce development and

the economic well-being of our citizens must be a priority. People in both countries are worried that their kids won't have as good of a life as they did and hopelessness can develop. This leads to distrust in democratic institutions.

3. *The rise of China*. The growing power and influence of China is the disruptive event of this generation, like the paradigm shift that occurred with the fall of the Soviet Union. How China is confronted will have an impact for decades to come.

On all of these issues, Mr. McDonough suggested that Germany and the United States don't have a choice but to work together for the benefit of our societies. The world expects both countries to lead, and Germany needs to take steps to be a world leader. He expressed confidence that despite the current differences, rough times can actually strengthen bonds. It is important for leaders on both sides of the Atlantic to recognize that we don't have to agree on all of the issues, but we must agree that the relationship itself is one of the most important alliances for both of our countries.

PANEL: THE GLOBAL MARKETPLACE: TRANSATLANTIC TRADE AND ECONOMIC NATIONALISM

In a wide-ranging discussion, moderated by **Friedrich Merz**, the panel explored the current rift in trade relations between the United States and the EU.

Daniel Mullaney, Assistant United States Trade Representative for Europe and the Middle East, began by indicating that Germany and the U.S. were working well together on trade and foreign investment issues, citing technology protection and investment screening as examples of good cooperation and shared objectives. Members of the EU do have differing interests on investment, so in some cases it is easier to work bilaterally.

While there is cooperation, **Dr. Donatus Kaufmann**, a member of the Executive Board of ThyssenKrupp, expressed concern about the Trump administration's use of Section 232, saying the solution to the oversupply of steel is not hitting the EU with tariffs but working together with the EU vis-à-vis China. Furthermore, he stressed the importance of adhering to the rules-based system of trade. If trade imbalances result within the rules-based system, then that remains free trade, with competitive advantages. However, if a country is breaking the rules and causing the imbalance, then punitive action is deserved. Dr. Kaufmann suggested that the issues between the U.S. and the EU could be resolved through cooperative talks, but that these take time and cannot be subject to short deadlines.

Ambassador Kristin Silverberg, Managing Director of the Institute of International Finance and former Ambassador to the EU, also suggested that using Section 232 made it hard to get EU cooperation against China on both economic and security grounds. The Trump administration meant for this step to be broader in nature and not directed at the EU, because incremental steps against China had not been working – thus a more drastic approach was used. Ambassador Silverberg suggested that instead of raising tariffs, a better option would be to lower tariffs to zero and to focus on the non-tariff barriers.

The German Coordinator for Transatlantic Cooperation, **Peter Beyer**, stressed the need for all of the stakeholders to have a real dialogue about the trade issues and not to set short deadlines that are arbitrary in nature. He suggested that the temporary exemption should be made permanent since it is cause for extreme uncertainty. Dr. Kaufmann expressed his concern about the Trump administration's actions because they violate current WTO rules – setting an example to other countries that rules can be broken. In response to a question about whether a new Transatlantic Trade and Investment Partnership (TTIP) might be the solution, as some have suggested, Mr. Beyer indicated that it would be far more difficult to accomplish today with the new composition of the Bundestag. One of the panelists argued that it was

important for both sides to refrain from a tit-for-tat imposition of tariffs that could spiral out of control. Some tariffs are higher in the U.S. for certain products and vice versa.

The panelists concurred that cooperation between the U.S. and the EU to counter China's behavior was difficult because of President Trump's messaging that multilateral institutions were not good, along with the challenge of completing sophisticated analyses of trade imbalances and where the real problems exist. Not all trade imbalances are bad, and this needs to be understood to have effective dialogue.

CONVERSATION: THE STATE OF TRANSATLANTIC RELATIONS

Additional perspectives on the current state of relations were provided in a conversation, moderated by **Ambassador John Emerson**, with **Senator Chris Murphy**, a member of the Senate Foreign Relations Committee, and **Niels Annen**, a member of the German Bundestag and Minister of State for North America at the German Federal Foreign Office.

Minister Annen began by saying that the current uncertainty in the relationship made it challenging to work on long-term strategy, but that the day-to-day relationships remained strong and productive. Senator Murphy concurred, saying that during the Trump administration it will be a continued struggle to work on concrete issues. Senator Murphy stressed the importance of people-to-people exchanges at other levels to keep the fire burning during the next few years. Issues like TTIP, which would provide great opportunities for the U.S. and the EU to move forward economically and in a mutually beneficial way, are off the table for now. Even the chance of a TTIP light is slim to none. The new Secretary of State, Mike Pompeo, however, is a positive development and will be good for the U.S.-EU relationship. Secretary Pompeo is committed to restoring the influence of the State Department and believes strongly in the value of NATO and the transatlantic alliance.

On the potential pullout by the U.S. from the Joint Comprehensive Plan of Action (JCPOA) deal with Iran, Minister Annen reiterated that Germany agrees with the United States on the many problematic activities of Iran but that the JCPOA helps address them by at least dealing with the nuclear issue. Additional agreements are needed to address further concerns with Iran, which is very much the joint position of the EU, but a pullout by the U.S. will make it close to impossible to negotiate new agreements.

Senator Murphy expressed his belief that the JCPOA was by no means perfect and that there were plausible reasons to oppose it before it was implemented – but now that the agreement is in place with no apparent alternative, any leverage to influence the Iranians will be lost should the U.S. leave the agreement. Furthermore, a pullout will create enormous division with the EU, which will be exploited by Iran. Despite this, he indicated that it seemed clear the U.S. would be pulling out of the agreement in the coming days.

Both Minister Annen and Senator Murphy indicated that Russia posed a significant challenge to Germany and the United States, but that the whole issue of potential "Russian collusion" made it difficult to have a transatlantic dialogue about strategy and approaches vis-à-vis Russia. Minister Annen said there must be more dialogue about Russian influence in elections and with anti-democratic parties in Europe, but that engagement with Russia is also necessary. The complexity of Germany's relationship with Russia often is difficult to explain to Americans, and this is something that Germany must do more clearly. Senator Murphy said Russia's goals with respect to interference are not to elect one party over another but to make bipartisan issues partisan and to sow divisions among allies. The mixed signals from the Trump administration about Russia and Putin makes them more confident. Senator Murphy went so far as to state that he believes "democracy is at stake in Europe and the U.S."

KEYNOTE: SECRETARY WILBUR L. ROSS, JR., UNITED STATES COMMERCE SECRETARY

Secretary Wilbur Ross had just returned from his fifth visit to China in the past 12 months, demonstrating an ongoing dialogue at the highest levels of Chinese government. The U.S. and China have exchanged their detailed objectives, and China appears to be interested in making a “transaction,” but the two sides are still very far apart on what that might be.

Secretary Ross shared the Trump administration’s perspective on trade/economic relations with the EU and Germany, identifying three areas of concern. In his view, the trade deficit with the EU of more than \$151 billion, of which Germany is responsible for 40 percent (with automobiles the biggest component), is a problem that must be addressed. The U.S. wants trade deficits reduced with every country, so this is not a German- or EU-specific issue. Secondly, the lack of EU and German investment in NATO at the agreed 2 percent spending target is problematic, especially since NATO is more important to Europe yet most of the cost burden falls to the U.S. Lastly, Secretary Ross said Europe is far more protectionist than the United States, citing 54 pages of non-tariff barriers in the EU and other examples. Responding to a question about the likelihood of resolving the differences and finding a new trade agreement, Secretary Ross responded that more important was whether the EU really wants that to happen. Conversations with EU Trade Commissioner Cecilia Malström were continuing, but the next deadline regarding implementation of steel and aluminum tariffs was not to be extended. Secretary Ross concluded his remarks by praising and thanking Germany’s Ambassador to the U.S., Peter Wittig, for their cooperation and dialogue.

PANEL: TRUTH AND TRUST: FAKE NEWS AND THE STABILITY OF DEMOCRATIC INSTITUTIONS

This panel, moderated by ACG President **Dr. Steven E. Sokol**, discussed the rising loss of trust of democratic institutions in Germany and the United States with **Tanit Koch**, former Editor-in-Chief of *BILD*, and **Dr. Charles Kupchan**, Senior Fellow at the Council on Foreign Relations and an ACG Board member. The panel was joined by **David Deißner**, Executive Director of Atlantik-Brücke, who noted that in a recent study conducted by the ACG and Atlantik-Brücke, a third of respondents in both countries had little or no confidence in democratic institutions. Causes cited for this development were the perceived ineffectiveness of governments to deal with issues such as the lingering effects of not only the 2008 financial crisis but also refugees and immigration, and a rising sense that systems do not deliver for the citizens. This has resulted in a weakening of the political center, with the extremes on the right and left making it difficult for government to function. Populists may demonstrate an understanding of the electorate but offer the wrong answers to the complex issues confronting our societies. There was consensus that no one can predict if the political disruption in the U.S. or Germany will be a short- or long-term phenomenon, but that politicians in both countries need to pay more attention to the concerns of those who feel unserved. Additionally, all agreed that there is no alternative to the transatlantic partnership as a means of addressing these concerns.

KEYNOTE AT DINNER HOSTED BY GERMAN AMBASSADOR PETER WITTIG: WALTER RUSSELL MEAD, DISTINGUISHED FELLOW AT THE HUDSON INSTITUTE AND GLOBAL VIEW COLUMNIST, THE WALL STREET JOURNAL

Since the election of President Trump, **Walter Russell Mead**’s book, *Special Providence*, and his essays on populism and President Andrew Jackson in *Foreign Affairs*, *The American Interest*, and *The Wall Street Journal* have been cited by many as important reading to understand the Trump presidency and his supporters. Mr. Mead explained the many parallels to the Jacksonian era, which was marked by grassroots contempt for elites, suspicion of foreign entanglements, and a strong obsession with nationalism.

He described how the liberal internationalist approach since World War II – focused on democracy promotion and free trade, akin to Wilsonian and Hamiltonian worldviews – has dismayed many Americans who have not seen success during the Bush and Obama years (in light of continued conflict in the Middle

East and economic distress). Trump took advantage of this, building on an anti-establishment message, regardless of whether he was actually prepared to govern.

Mr. Mead argued that many people remain bewildered by Trump because they continue to ignore and belittle the concerns and demands of his Jacksonian base. For example, Mr. Mead said Trump's tough talk about the world and appointment of former generals as advisors is not an indication that he will be more militaristic than other Presidents. Instead, his behavior should be seen as an effective appeal to a political base that respects the military more than other American institutions and sees the outside world as a source of threat and fear rather than an opportunity.

Throughout the conference, the lively exchanges discussing the state of the international order, European and American responses to the rise of China on the world stage, automation and the future of work, transatlantic trade and investment trends, and the rise of populism and political polarization on both sides of the Atlantic helped participants come away with new insights concerning the state of the transatlantic alliance and the importance of continued dialogue – particularly when relations are fraying.



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