



# Compass 2020

Germany in international relations  
Aims, instruments, prospects



## Transatlantic Relations

Together the West is Exploring  
New Shores

Almut Wieland-Karimi



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The Compass 2020 project represents the Friedrich-Ebert-Stiftung's contribution to a debate on Germany's aims, role and strategies in international relations. Compass 2020 will organise events and issue publications in the course of 2007, the year in which German foreign policy will be very much in the limelight due to the country's presidency of the EU Council and the G 8. Some 30 articles written for this project will provide an overview of the topics and regions that are most important for German foreign relations. All the articles will be structured in the same way. Firstly, they will provide information about the most significant developments, the toughest challenges and the key players in the respective political fields and regions. The second section will analyse the role played hitherto by German / European foreign policy, the strategies it pursues and the way in which it is perceived. In the next section, plausible alternative scenarios will be mapped out illustrating the potential development of a political field or region over the next 15 years. The closing section will formulate possible points of departure for German and European policy.

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# Transatlantic Relations

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Almut Wieland-Karimi



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## Abstract

In recent times, three turning points have challenged the transatlantic partners: 1) the end of the Cold War, Germany's new role in Europe and the global power shift in favor of the U.S., 2) the threat of international terrorism, and 3) the war in Iraq. The political climate in the period following the beginning of the war in Iraq in 2003 was characterized by U.S. unilateralism and a loss of trust vis-à-vis its transatlantic partner Germany. There were even voices on both sides of the Atlantic considering the rejection of the decades-long U.S.-German alliance. The sound foundation of the transatlantic partnership had been based not merely on close economic cooperation but common values as well. Today, the transatlantic alliance is faced with new international challenges: 1) the rising economic powers in Asia and an increasingly globalized world economy, 2) dependence on fossil fuels, 3) and the conflicts in the Middle East and Africa as well as terrorism.

Despite these crises, outside of Europe, the U.S. remains Germany's most important partner. However, Germany faces a strategic dilemma in its relations with the U.S. How can Germany justify its support for a world order with the U.S. at the helm when, at the same time, it criticizes the use of U.S. unilateral power? From the U.S. perspective, Germany is valued as an important economic partner. It is, however, at times unclear for U.S. politicians whether Berlin or Brussels is the adequate contact for discussing transatlantic relations.

Three potential scenarios can be developed for the future:

- "The Titanic is sinking in stormy seas": In a battle over diminishing resources, the U.S. and Germany would more likely be rivals than partners in each other's bid to avoid being overwhelmed by increasing globalization. The U.S. would isolate itself politically from the rest of the world.
- "The old tanker in unfamiliar seas": In this second scenario, the status quo between the U.S. and Germany would remain roughly the same, whereas each other's economic interests would shift eastward. EU integration would continue. However, a common European security and defense policy would not develop.
- "The stable catamaran that safely navigates the rough seas": In this third scenario, the reinvigoration of multilateral institutions and close transatlantic cooperation in the areas of technology and energy could result in the transatlantic partners becoming trailblazers in these fields. In this scenario, the EU would be politically strengthened internally and speak with a single voice on matters of foreign policy.

To increase the quality of the transatlantic relationship, Germany's policy regarding the U.S. should be pragmatic, vigilantly target arising problems and keep a multitude of communication channels open. Priorities should be the European integration process and increased cooperation on matters of energy security and climate change. A well-functioning world trade system with adequate social standards and a solid consensus on global security should form the basis for a lasting powerful partnership.

## I. In Good Times and In Bad: The Transatlantic Partnership Sits on a Strong Foundation

Anytime the following text mentions transatlantic partners on the European side – and when the EU is not expressly mentioned by name – then the author refers to Germany as an important member state of the European Union. Germany finds itself, along with the other 26 EU member states, in a continual integration process. Little by little, national sovereignty is being transferred from the member states to the EU. However, EU integration and expansion will continue for years, if not decades. Since political goals, aspirations and realities still differ substantially between Germany and the 26 other EU member states, it is not yet possible to speak of transatlantic relations from a united European perspective.

On the other side of the Atlantic, the U.S. is the primary partner in the transatlantic relationship. The term “America” usually refers exclusively to North America or even simply the U.S. It would, however, be reasonable to include Canada and Mexico into the North American transatlantic relationship. North American economic policy is affected by the U.S., Canada and Mexico within the NAFTA framework (albeit with substantial political disputes and irritations). North American security policy is handled within NATO, of which only the U.S. and Canada are North American member states. The U.S. regards Mexico as an economic partner and uncomfortable neighbor due to immigration of Mexicans into the U.S. However, unlike Canada who is an important partner in economic and security policy affairs, Mexico is not viewed as an important political partner.

### I.1 Three Turning Points since the End of the Cold War

Three experiences have significantly shaped the transatlantic relationship over the last two decades: 1) the end of the Cold War in 1989, 2) September 11, 2001 and 3) the start of the Iraq war in 2003. The fall of communism in Central and Eastern Europe and the “victory” of the western model made the U.S. the only remaining political, military and economic superpower in a unipolar world. The U.S. began to regard itself as an indispensable nation.

With the end of the Cold War, the existential framework of the transatlantic relationship changed significantly. Until 1998, due to its geographical proximity to the East-West conflict, Germany and Europe as a whole were the focus of U.S. foreign and domestic policy interests. After the dissolution of the bipolar world order, Germany no longer found itself in the center (geographically and politically speaking) of the conflict between the two superpowers. Today, major challenges in the region are located at the fringes or outside EU boundaries, are global and at times asymmetrical. Additionally, the European integration process has led to a transfer of German national sovereignty to the EU. Both developments have had significant impacts on the transatlantic relationship: U.S. interests shifted from Europe to other regions like the Middle East and Asia. Europe gained greater autonomy. The more politicians spoke of a transatlantic partnership, the less real partnership was practiced.<sup>1</sup>

Following the events of September 11, 2001, the U.S. undertook a significant change in foreign policy. While the administration of George H. W. Bush (Senior) was interested in practicing a moderate foreign policy and strengthening its worldwide military presence, the administration of George W. Bush made the fight against international terrorism the new focus of U.S. foreign and defense policy. President George W. Bush began pursuing a

<sup>1</sup> See Birnbaum, Norman. “The United States and Germany: The Next Twenty Years”. Washington DC, 2006.

neoconservative (Bolton, Wolfowitz) and nationalistic (Cheney) school of thought, and as “war president” he turned his back to multilateralism.<sup>2</sup> The willingness by the U.S. to “go it alone”, and the formation of the “coalition of the willing” replaced traditional international alliances. According to this new Bush Doctrine, all states that supported terrorism were enemies of the U.S. and subject to military intervention. This signaled the (temporary) end of the transatlantic system of unquestioned solidarity. The new U.S. strategy was designed to protect U.S. power hegemony from global and regional challenges.

The Bush Doctrine was first put into practice in March 2003 during the unilateral military intervention in Iraq. Even though no direct connection was found between Iraq and 9/11, the Bush administration nonetheless attempted to justify its invasion of Iraq with fighting the global war on terror and the threat of weapons of mass destruction. The clear rejection of such a justification by Germany, France and other European states led to one of the most severe crises of confidence within the transatlantic partnership, particularly when the claim of the existence of weapons of mass destruction in Iraq was proven to be incorrect. Furthermore, the global system of multilateral institutions, headed by the United Nations, took a significant hit.

However, the neoconservative change in the political course in the U.S. has had other far-reaching consequences. The Guantanamo prison camp in Cuba, torture scandals in the prisons of Abu Ghraib in Iraq and Baghram in Afghanistan, secret CIA prisons and infringement of civil liberties have all contributed to a massive worldwide loss of legitimacy and prestige for the U.S. Additionally, it is becoming increasingly transparent that there have not been any reasonable political concepts developed for the future of Iraq and Afghanistan that would enable the growth of political stability, the rule of law and strong democratic institutions. The U.S. loss of legitimacy and prestige in the world is augmented by the fact that already under the Reagan administration the U.S. pulled out of or rejected international treaties and alliances in areas such as disarmament, environmental protection and international law.

During his second presidential term, George W. Bush declared that democracy promotion would form a cornerstone of U.S. foreign policy. Because of the way the U.S. has implemented the promotion of democracy in its foreign policy in the Middle East, U.S. foreign policy has suffered dramatically. Iraq played a key role in this new approach to U.S. foreign policy because Iraq was intended to become the democratic and constitutional cornerstone of the entire region. This foreign project of regime change raised the suspicion of the Islamic world and further discredited the U.S. in their eyes. The Iraq war and current U.S. foreign policy have also contributed to great distrust and concern within U.S. society itself.

Another important – if not new – factor in U.S. society is the strong bond Americans feel with religion and the important role religion plays in people’s private and public lives. More than 80 percent of Americans believe in God and only 15 percent are not members of a congregation or religious community. To Germans and many other Europeans this close relationship between religion, political power and patriotism is unfamiliar and makes them uncomfortable. Subsequently, social and political secularism play an important role during transatlantic disputes. Even though the U.S. has never had a state-sanctioned religion and church and state are legally separated by the constitution, U.S. politics have been strongly anchored in religion not only since George W. Bush took office. The belief that the U.S. is God’s chosen nation, a belief which explains Americans’ firm convictions that their country is unique and that it is the world’s moral leader and guardian, is often

2] See Daalder, Ivo and Lindsay, James. “America Unbound. The Bush Revolution in Foreign Policy”. Washington DC, 2003.

cited by U.S. presidents as a justification for their policies. This religious justification for policy and political power strikes their European counterparts as odd and out of place.

In particular, U.S. foreign policy has contributed to a negative image of the U.S. in Germany and Europe as a whole. While 64 percent of Europeans supported a leading role for the U.S. in international affairs in 2002, only 37 percent supported this viewpoint in 2006. The most drastic change in public opinion occurred in Germany. These numbers explain the rising "anti-Americanism" amongst the German public. However, this feeling is likely a reflection of the current U.S. administration and does not represent Germans' sympathies for U.S. citizens in general. In 2002, when asked to rate their view of the U.S. on a temperature scale of 1-100 degrees, Europeans averaged 62. Today the score has sunk to 51.<sup>3</sup> The emotional relationship between the U.S. and Germany has cooled noticeably.

It is to be expected that the newly elected U.S. president in 2008 will want to return transatlantic relations to their formerly positive state. Just recently, evidenced by a reinvigoration of the peace process in the Middle East, U.S. Secretary of State Rice signaled a return to greater multilateralism in U.S. foreign policy. On the other hand, the current political crises and conflicts have led to a rethinking of transatlantic relations. The threat of a nuclear North Korea and Iran necessitates a combined approach by the U.S. and Europe. This is also true regarding global democratization efforts; an issue where the U.S. and the Europeans have similar goals but different approaches and strategies for success. These two issues also present possible fields for future transatlantic cooperation or conflict.

## I.2 A Winning Economic Partnership

Currently, Europe and the U.S. form the worldwide closest and largest economic partnership. This is evidenced by extensive trade relations and the high volume of investments in their respective financial markets. According to some estimates, the total value of transatlantic economic relations is approximately \$2.5 trillion and creates around 14 million jobs on both sides of the Atlantic.<sup>4</sup> In 2006, the trade volume of all EU member states with the U.S. was \$544 billion.<sup>5</sup> In addition, Europe and the U.S. are the most important and influential members of the financial institutions, the World Bank and the International Monetary Fund (IMF). Both have contributed significantly to the liberalization of world trade. At the same time, despite political differences, the transatlantic politico-economic and institutional integration has taken great strides. It remains to be seen what impact the newly signed "New Transatlantic Economic Partnership" agreement of 2007 will have.

Apart from Europe, Canada and Mexico are the most important trading partners for the U.S.; with them the U.S. is a party to the North American Free Trade Agreement (NAFTA) since 1994. Despite 12 million undocumented immigrants, of which (in part as a direct result of NAFTA) 56% come from Mexico, and an annual influx of 850,000 immigrants, the U.S. economy is supporting increased immigration to maintain a high availability of cheap labor. However, this has not stopped the U.S. from undertaking protectionist policies to reduce its trade deficit. In 2006, Canada was the most important individual trading partner of the U.S., followed by Mexico and China. Germany ranks in fifth place.<sup>6</sup>

3] German Marshall Fund of the United States. "Transatlantic Trends, Key Findings". 2006. p.5.

4] Burwell, Frances G. "The Transatlantic Economy in 2020: A Partnership for the Future?". The Atlantic Council, Policy Paper. November 2004. p. IX, Executive Summary.

5] Source: U.S. Census Bureau, Foreign Trade Division. Available online: <http://census.gov/foreign-trade/balance/c0003.html#2007>.

6] Source: U.S. Census Bureau, Foreign Trade Division. Available online: <http://census.gov/foreign-trade/statistics/highlights/top/top0608.html>.

Particularly interesting is the development of trade between the U.S. and the EU with China. Since 1990, the trade volume between the U.S. and China has increased ten-fold and twelve-fold between the EU and China. Trade between the U.S. and the EU has only increased two-fold over the same time period. But the total trade volume was already very high in 1990 compared to trade volumes with China.<sup>7</sup> At the same time the U.S. has signed 15 other free trade agreements – in addition to NAFTA – and has thereby increased its political clout over other regions. This could contribute to future transatlantic economic competition.

Despite the 9/11 attacks and the rising military expenditures since the beginning of the war on terror, the U.S. economy has proven quite stable. Over the past 10 years, it grew an average of three percent per year. Over that same time period, productivity grew and unemployment hovered around 4.6 percent while the number of the active work force grew by 1.3 percentage points.<sup>8</sup> However, it is noteworthy that these market statistics are only partially comparable to those of Germany. The most recent economic boom that began in November, 2001 seems to be losing strength. The times when the internal economic trend could be supported through the real estate boom are over. In addition, the growth numbers in the U.S. are covering up structural problems that could lead to a recession.

Such problems include the U.S. debt and the trade and budget deficits. Currently, the U.S. has amassed a mountain of debt totaling nearly \$9 trillion.<sup>9</sup> The budget surpluses of the past have turned into a budget deficit that totaled approximately \$260 billion in 2006.<sup>10</sup> The foreign trade deficit reached \$765 billion in the same year.<sup>11</sup> The main reasons for the budget deficit are the skyrocketing military expenditures associated with the military interventions in Afghanistan and Iraq. Even prior to the troop surge in early 2007, the war in Iraq cost the U.S. approximately \$200 million a day. Another reason for the large deficit is the massive tax breaks that were authorized by Congress between 2001 and 2003 on behest of a presidential tax initiative. According to recent estimates, these tax reductions contributed around \$250 billion to the 2006 budget deficit. At present, foreign investors are financing almost 78 percent of the U.S. budget deficit, which has led to the national budget being highly dependent on foreign investment.

Despite the solid growth of the U.S. economy, social economic disparity has risen substantially over the past 25 years. Despite productivity having risen more than 70 percent, the value of the minimum wage rose by a mere 30 percent in 2005. Therefore, steady high levels of consumption have not been financed by higher wages but by increasing the level of debt. Further factors contributing to the rise in social disparity is the waning influence of unions and a rise in medical costs. The percentage of employees in private businesses who are union members has fallen from a level of 20 percent in 1980 to less than 8 percent in 2005. Meanwhile, medical expenditures make up 15.3 percent of the Gross Domestic Product (GDP) and more than 40 million U.S. citizens do not have health insurance.<sup>12</sup>

Different economic models are employed on both sides of the Atlantic. There is the Western European welfare state that is designed to increase social equality by providing

7] Van Scherpenberg, Jens. "Integration of the Atlantic Marketplace. A Study of the German Institute for International and Security Affairs (SWP)". Berlin, September 2006. p. 17 ff.

8] Burwell, Frances G. "The Transatlantic Economy in 2020: A Partnership for the Future?". The Atlantic Council, Policy Paper. November 2004. p. 4 ff.

9] Source: U.S. Department of the Treasury, Bureau of the Public Debt. Available online: <http://treasurydirect.gov/NP/bpdLogin?application=np>.

10] Source: White House OMB. Available online: <http://www.whitehouse.gov/omb/>.

11] Source: U.S. Census Bureau, Foreign Trade Division. Available online: <http://census.gov/foreign-trade/statistics/historical/>.

12] Baker, Dean. "Growing Inequality in the United States". FES Fokus Amerika 5, 2006.

social benefits, family friendly employment and labor unions. The U.S. economic model is based on individual freedom and responsibility. When given the choice between freedom and equality, Europeans tend to choose equality.

In terms of social conditions, the development of demography is of particular importance in the U.S. Today, the U.S. has over 300 million citizens of which 69 percent are of European, 13 percent of West African, 14 percent of Hispanic and four percent of Asian descent. By 2020, the population will have risen by slightly less than one percent. The percentage of U.S. citizens of European descent will be in decline and the percentage of the other groups – led by those of Catholic Latin American descent – will rise.<sup>13</sup> Additionally, by 2020 the average age of U.S. citizens will rise, albeit not as drastically as the population in Germany. In 2005, 12.5 percent were older than 65 years of age. By 2020, 16 percent will exceed that age.<sup>14</sup>

### I.3 At the Top of the Agenda: Climate Change and Energy Security

Safe and environmentally friendly energy is becoming ever more the focus of the transatlantic economic and security relationship. Energy independence is vital to both sides of the Atlantic. The oil and gas supply is increasingly independent of economic market principles. According to estimates by Senator Richard Lugar, former Chairman of the Senate Foreign Affairs Committee, state and federal governments control three quarters of the world's unrefined resources.<sup>15</sup> These resources are therefore subject to political decision-making. Authoritarian regimes in particular are likely to attempt to increase their energy-political power. Consequently, German Foreign Minister Steinmeier coined the phrase "Energy Foreign Policy". Russia is an important, if difficult, partner of Europe. Canada plays a large role in North American energy relations. Canada not only controls the world's second largest oil reserves, but is also a huge producer of wind and water energy. Canada is also a member of the greater Western alliance system. Meanwhile, drilling for oil in Alaska remains politically controversial.

International energy security can only be accomplished through cooperation on the national and multilateral levels, as well as political cooperation and mechanisms and a reduction in demand for energy and the development of new technologies. Even if U.S. administration officials deny a connection between U.S. foreign policy in the Middle East – the invasion of Iraq, the strong alliance with Saudi Arabia and the focus in the Persian Gulf – and oil, it is at the very least evident that the huge global demand for energy will strengthen the focus on those regions that produce a lot of energy in the 21<sup>st</sup> century. This dependency on energy not only affects the U.S., but also affects countries such as Germany and other EU member states that are even more dependent on energy resources in the Gulf. The demand for energy and raw materials rises proportionally even more in developing and third world countries. This is not only because of higher economic growth rates in those countries, but it is also due to a shift of the world's industrial production to countries like China.

Climate change is also associated with this phenomenon. The EU, Germany in particular, have set ambitious energy conservation goals to increase energy supplies derived from wind, water, solar and thermal power, as well as to reduce CO<sub>2</sub> emissions. Without a doubt, the EU is a forerunner in climate change politics and technologies. However, an

13] Source: U.S. Census Bureau, 2004. "U.S. Interim Projections by Age, Sex, Race and Hispanic Origin". Available online: <http://www.census.gov/ipc/www/usinterpro/l>.

14] Source: State of New Jersey, Department of Labor and Workforce Development. Available online: <http://www.wnjp.in.net/OneStopCareer/Center/LaborMarketInformation/lmi03/>.

15] See: "The Lugar Energy Initiative. Driving the Future of Energy Security". Available online: <http://lugar.senate.gov/energy>.

awareness of climate change and a realization that new innovations can reduce global warming, lead to greater energy independence and new industrial opportunities are materializing in the U.S. as well. Selling and buying of emission volumes, which is regulated through the market economy, has already grown to become a booming new industry.

Former Vice President Al Gore, Republican Governor Arnold Schwarzenegger from California and David Suzuki in Canada have emerged as frontrunners in the fight against global warming. They must to a large degree be credited with making the general public aware that today's enormous energy consumption by just five percent of the population is responsible for 25 percent of global CO<sub>2</sub> emissions and that this is no longer tenable. Nearly half of the 50 U.S. states have passed regulations to curb global warming. These states could become trendsetters in adapting the *American Way of Life* to the age of global warming.

#### 1.4 The North American and Transatlantic Community – An Outside Perspective

From a Latin-American perspective, Mexico, the southern neighbor of the U.S., is part of North America, and therefore takes on an important bi-regional role. Mexico's geographic position makes it unique. It is a North American country and part of an economic alliance with the U.S. and Canada; at the same time it is a Latin American country because of its national language, culture and history.<sup>16</sup> Mexico has distanced itself politically from the U.S. in recent years. The reason for this distancing has been in particular the construction by the U.S. of a fence along the 3000 mile U.S.-Mexico border. Even so, the more than 10 million first generation Mexican immigrants living in the U.S. have created strong ties between the two countries. The largely Catholic Mexican immigrants will increasingly determine U.S. politics, especially in the states of California, Texas and New Mexico where Hispanics already form the majority. Surveys show that Latinos choose to vote for the Democratic Party immediately after immigrating but tend to switch their alliances to the Republican Party in favor of that party's more conservative ideology after spending some time in the U.S.

In 2000, Mexico agreed to a so-called "global agenda" with the EU. However, the Mexican government has expressed its feeling that they believe the EU is more concerned with itself and eastward expansion than with states like Mexico. To Mexico, its trade relations with Germany are of particular importance.<sup>17</sup>

Canada, the U.S.'s neighbor to the north, was not central to German and European foreign and security policies either, but has always been a reliable partner in terms of shared values and past alliances. Canada, geographically the world's second largest country with only 34 million inhabitants with a diverse cultural background, has a similar state-funded welfare system as Europe. However, Canada's extensive military contribution in Afghanistan has made Canada an increasingly important ally. Especially since both the U.S. and Canadian administrations are conservative at the moment, U.S.-Canadian relations are extremely close today. In the past we have seen varying degrees of Canadian engagement with the U.S. Consequently, U.S.-Canadian relations will continue to be impacted by political and economic developments in the U.S. In part due to its special relationship with the U.S., Canada could, and should, become an even more important North American ally of Germany.<sup>18</sup>

16] See: Pellicer, Olga. "Mexico – a Reluctant Middle Power?". FES Dialogue on Globalization Briefing Paper. June 2006.

17] Input by Blanke, Svenja. FES Mexico.

18] See: Hübner, Kurt. "Key Features of Anticipatory German Transatlantic Policies". University of British Columbia, Canada, October 2006.

The transatlantic relationship that is based on values, economics and common interests, is of lesser importance to countries from other regions. These states place more value on individual country-to-country relationships, such as bilateral trade agreements and security guarantees with the U.S. and EU member states. However, the current lack of a common European foreign policy makes such agreements and alliances more difficult to manage. For this reason, Europe is not seen a strong partner by many countries, but merely as a soft power. Instead, states strive to strengthen relations with strong individual EU member states such as Germany, France and Great Britain.

In contrast, the U.S. is viewed as the global superpower with which countries such as Israel and India attempt to maintain security alliances, while countries such as China, Iran and Venezuela are attempting to mount some global opposition to U.S. power and influence. The end of the Cold War led many developing and third world countries to react unfavorably to the unrestricted global hegemony of the U.S. The most recent transatlantic tensions after the U.S. invasion of Iraq were subsequently seen as an opportunity to form alliances to oppose U.S. hegemony. In particular, previously non-aligned states have bonded together. NATO, the transatlantic security alliance, is viewed primarily as an instrument to further U.S. interests.

Economically, rapidly developing countries have especially keen political and economic interests in Europe and the U.S. They are most interested in bilateral trade agreements. It is true that for most developing countries China and India are gaining ever more in importance, while economic relations with Western nations are losing in importance. China in particular is taking interest in the resource-rich regions in Africa and the Middle East, and is quickly becoming an important rival to western interests.<sup>19</sup>

## II. Politics and Perspectives

### II.1 The United States: A View from Germany

Today, as was the case during the Cold War, transatlantic relations are more than a partnership based solely on need. The partnership was and is based on shared common values and interests such as the similar understanding of representative democracy, human rights, rule of law, and a market economy. However, in recent times it has been called into question whether Germany and the U.S. set the same priorities in the common value system. Additionally, after German reunification, 20 million Germans joined the Federal Republic who do not share – similar to the younger generations – the same experience of the Cold War as a block confrontation where the East was the common adversary that had to be confronted in unity.

However, it is uncontested that both transatlantic partners are faced with the following challenges: how to deal with political Islam, globalization, the previously mentioned energy security and climate change as well as terrorism. What exactly is meant by the term “terrorism” has led to some confusion. Are international non-state actors (terrorists) that act regionally (in their own interest) the main threat, or are totalitarian regimes and so-called rogue states the primary concern to the “Western” way of life? Or are both threats equally serious?<sup>20</sup>

19] The exemplarily chosen (non-representative) external perception includes input, among others, by Tenbusch, Renate (FES-India), Rechman, Werner (FES-South Africa), Bünz, Hermann (FES-Israel) and Rürup, Luise (FES-Turkey).

20] See: Berman, Paul. “Two Premises, One Catastrophe. What is Terrorism: Strategy or Totalitarian Ideology?” *International Politics*, Nr. 1/2006. p. 22 ff.

The U.S. is Germany's most important partner outside of the EU. The transatlantic partnership is, apart from the European integration process, the most important aspect of German foreign policy. NATO remains the most vital anchor of German security and defense policies. This is true despite, and perhaps in particular because of, the current conflicts and crises in the Middle East (Iran, Iraq) and Asia (Afghanistan, North Korea) and the related loss of U.S. credibility in the world and the damage to its image.

Together with the U.S., Germany is contributing substantially to NATO missions in Afghanistan, Kosovo and in the Mediterranean region. In terms of security policy, the recently published "White Paper" supports the argument that issues concerning German and European security can only be effectively confronted in alliance with the U.S. Appeals calling for an updated NATO as part of a transatlantic reinvigoration process after the debacle in Iraq have not fallen on deaf ears.<sup>21</sup>

However, Germany also faces a dilemma in terms of its strategy vis-à-vis the U.S. On the one hand, Germany supports a liberal hegemony of the U.S. that is considerate of European interests and goals. On the other hand, German policy wants to balance U.S. unilateral tendencies by strengthening the EU in order to increase its input and influence. Since its engagement in Kosovo, Germany's foreign policy has undergone an emancipation process that has led to Germany pursuing policies that are more independent of U.S. interests and instead follow Germany's national interests. This is a common trend, which has also had an impact on U.S.-German relations. Challenging and balancing a strong alliance partner's policies instead of unconditionally supporting them is a clear change in strategy. To this day, Germany is still working on political concepts to accomplish this. Germany's political parties and interest groups are as yet undecided on this issue. However, this difference in attitude can no longer be defined along traditional left wing – right wing lines.

Two schools of thought in Europe can be identified. The "Atlanticists" prefer a close partnership with the U.S. because of the historically strong transatlantic shared value system. Also, smaller EU member states view the U.S. as a counterweight to the larger EU member states such as Germany and France. The "Europeans", however, strive to redefine Germany's interests vis-à-vis the U.S. superpower to develop and establish the EU as a counterweight to the U.S.<sup>22</sup> However, this latter perspective reflects the discussion during the Cold War, when Europe was still divided and Germany was not yet encompassed in the EU framework. Today, Germany must consider the impact on EU values and policies each time it positions itself towards the U.S.

U.S.-German economic relations form the backbone of the transatlantic partnership. Apart from looming trade relation complications and conflicts over agricultural state subsidies, transatlantic economic relations are progressing without major problems. Outside of Europe, the U.S. is Germany's most important trade partner. In addition, the U.S. is the country where German companies invest the most and the U.S. is Germany's biggest foreign investor. The current global political and economic domination by the U.S. is unquestioned, but is being increasingly challenged.

U.S.-German relations have cooled due to Germany's criticism of U.S. foreign policy, but relations between U.S. and German citizens remain close and amicable. In the U.S., German is the third most frequently offered foreign language in colleges and universities. In Germany, hardly any person cannot speak at the very least a few English phrases.

21] See: Rühle, Michael. "A New Culture of Debate. NATO as a Forum for Transatlantic Dialog". *International Politics*, Nr. 1/2006. p. 98 ff.

22] See: Pradetto, August. "Without or Not Without Interests At All. Germany Not Only Formulates Clear Goals. It Also Accomplishes Them". *International Politics*, Nr. 1/2006, p. 114 ff.

However, especially among the younger German generations, anti-Americanism is rather widespread. Nonetheless, every year hundreds of thousands of people travel across the Atlantic as tourists, employees, businesspeople, scientists, students or artists. The upcoming "Open-Skies-Agreement" that is expected to lower airfare prices should lead to a further increase in transatlantic travel. The approximately 70,000 U.S. troops, stationed primarily in Hesse and Bavaria, also contribute to a feeling of a transatlantic partnership, even though some of them are expected to be transferred elsewhere in the near future.

There are an expansive and impressive number of political, economic and cultural institutions that are designed to impact transatlantic relations. The following are just a few such institutions: the German Marshall Fund of the United States, the respective parliamentary groups and the political foundations form the basis for political dialog. The Business Councils and Chambers of Commerce exist in the economic arena. Many institutions concern themselves with the areas of science and research such as the German Institute for International and Security Affairs (SWP), the German Council on Foreign Relations (DGAP) and the German Academic Exchange Service (DAAD). The Goethe-Institut plays a large role in the area of cultural exchange and a variety of institutions organize student and internship-exchanges.

## II.2 Germany: A View from the United States

Germany is still viewed by the U.S. as an economic giant but a political dwarf. On the other hand, Germany is viewed as an economic superpower by the U.S. because German foreign investment has created approximately 675,000 US-American jobs. If one considers sub-contractors, Germany and its investment in the U.S. is responsible for as many as one million jobs created in the U.S. Meanwhile, the U.S. has been concerned about Germany's temporary economic weakness. However, since German economic reforms have taken hold and are showing positive affects, and because Germany's general economic upswing should have a positive impact on the European economy, such concerns have, for the moment, largely dissipated.

The heated debate in Germany over the war in Iraq and pejorative statements by the Bush administration about Germany and other European states temporarily damaged transatlantic relations. U.S. citizens were less enraged about Germany's refusal to join the invasion force in Iraq. Instead, they were mostly upset about the way the discussion was conducted in Germany. However, soon thereafter the Bush administration attempted to better relations with Germany in order to minimize the damage to its image and to share costs in a post 9/11 world.<sup>23</sup> The U.S. is demanding a stronger German engagement within NATO and continued German diplomatic participation in the Middle East.

The German elections in 2005, which led to a grand coalition government under conservative Chancellor Angela Merkel with the Social Democrats as junior partners, brought the German and U.S. administrations closer once again. The working relationship between both administrations is substantially better than during the leadership of Chancellor Gerhard Schröder, and it is comparable to the amicable relations between Schröder and former President Bill Clinton. In particular, the announcement by the coalition of the CDU, CSU and SPD political parties that Germany would pursue European integration on the solid foundation of transatlantic relations, led to an improvement in U.S.-German relations. This announcement dispersed rumors that Germany, with the help of France, was interested in constructing a European counterweight to the U.S.

23] See: Szabo, Stephen F. "The Rubicon has been Crossed. Perspectives for Transatlantic Relations in the Post-Schröder Era". *International Politics*, Nr. 1/2006, p. 86 ff.

Consequences for the transatlantic partnership on the European side of the Atlantic arise through the political integration process in the EU. The present twenty seven EU member states are expanding common political institutions, have agreed on an EU constitution and are working in union to devise collective policies in several areas. The associated transfer of national sovereignty to the EU requires expansive dialog and voting processes. These are tedious and demand much patience and understanding from Europe's North Atlantic partners. The historical European integration project is, apart from some skeptics' opinions, also in the interest of the U.S. and widely supported there.

### III. 2020 Scenarios: The Transatlantic Partners are Sitting in the Same Boat

#### III.1 The Titanic is Sinking in Stormy Seas

The era of unchallenged U.S. hegemony and the golden age of transatlantic relations lies in the past. Previously, the transatlantic partnership was a signal of hope for budding democracies in the world and an admired and feared economic force. Meanwhile, however, North American and European investments are increasingly channeled towards Asia. The former transatlantic partners are now rivals over resources and access to economic markets in the developing world.

The 21<sup>st</sup> century has been the age of the Asian economic miracle. Asia's economic growth has long surpassed that of the U.S. and Europe. Asia's production capacity and the increasing size of its markets are trouncing its transatlantic partners. The economic powerhouses India and China, whose ascension has been enabled by expanded trade, investments and strategic purchase of U.S. currency, are outshining the U.S. and Europe. The transatlantic partners contributed to this phenomenon by redirecting trade and investments towards Asia. Although the trade volume towards the West remains high, a deepening of such trade relations is not taking place. Protectionism and looming trade conflicts are present on both sides of the Atlantic and the latest WTO trade round failed once again, so that no functioning world trade system will be achieved in the near future. The fact that the European labor market has not been prepared to deal with the phenomenon of globalization, and Europe's inability to solve its demographic problems via increased immigration from Africa or Asia, have contributed to the sinking of the transatlantic economic flagship.

Canada and Mexico are examples of missed opportunities in a successful transatlantic partnership. Mexico has been isolated from innovative developments in North America, especially due to an electronically monitored and nearly unbreakable barrier to the U.S. Because of a rise in poverty and social inequality, Mexico has developed into a social and economic crisis zone, and consequently into a security risk for its northern neighbors. Politically and economically, Canada remains in the shadows.

Global warming is responsible for islands being flooded, mass migrations to not yet climate change-affected states and new epidemics. A worldwide feeling of hopelessness in dealing with the problem prevails. Transatlantic rivalry is especially prevalent in competition for resources. New economic alliances reflect countries' interests in particular resources. The U.S., a country still very dependent on oil, keeps increasing its domestic oil production. However, the U.S. is still not able to meet its continuously high demand for energy. Potential opportunities to cooperate with Europe to pursue alternative energy strategies and resources have been missed. The dependency of Germans and

other Europeans on Russian gas has increased the power of this autocratic regime in the East so that a political disequilibrium has developed. For example, issues such as human rights violations, freedom of the press and growth of civil society are no longer on the agenda of the European dialog with Russia.

The EU's dependency on Russia, combined with an inability of EU member states to speak with a united voice, has relegated the EU to a second-rate global political actor. While Germany is interested in a multilateral approach to international political issues, the approaches of France, Great Britain, Poland and other EU member states show that the EU is nothing more than an exercise in extensive bureaucracy. While EU membership for Turkey is still an option, it has become clear that Europe needs Turkey more than the other way around. To become an influential global actor once again, it is necessary for the EU to undergo labor market reforms and to adjust its immigration and integration policies. Additionally, the EU must rid itself of its resource-draining agricultural subsidies.

However, continued European integration is not a cure-all for all global problems. In the Middle East, autocratic regimes continue to reign and in some of these states the U.S. controls these regimes with massive military support and power. Instead of politically resolving the conflicts in Iraq, Afghanistan, Lebanon, Palestine and elsewhere, the U.S. military is stretched to its limit and is only able to keep up its massive troop presence by contracting out to private security firms and military contracting companies. European military troops are still present in these regions, but they act independently and in other regions. The U.S. voices of neo-isolationists are growing ever louder because political and economic developments in other, less resource rich regions of the world, in particular in Asia and South America, are not being taken advantage of.

When it comes to the democratization of undemocratic and less developed countries, little consensus exists. The U.S., Great Britain, France and Germany are not able to agree on a common strategy, and even if an agreement was possible, no country would have sufficient resources to successfully accomplish such a strategy. In the face of new nuclear powers such as Iran, Saudi-Arabia, Egypt and North Korea, the European soft power approach does not seem adequate. Terror attacks are taking place, but instead of the U.S., international corporations are being targeted. The year 2020 could be the beginning of renewed U.S. isolationism. Meanwhile, Germany, finding itself without powerful international partners, has accepted its second or third tier role in the world. NATO, at one point the flag ship of the transatlantic relationship, continues to exist, but without necessary financial and political means. It is now only a shell of its former self and no more than an *ad hoc* coalition. The older generation of "Atlanticists" still chats from time to time about the good old days, while the younger generations can only read about it in history books and looks for new allies.

### III.2 The Old Tanker in Unfamiliar Seas

The transatlantic partners are confronted with new political challenges. Despite reduced stability and synergy, they are able to respond in unison. However, the ever expanding and growing economic power Asia and other rapidly developing countries in Africa and Latin America are outshining the U.S. and Germany (as a leading European power). China, India and other economic powers are already beginning to outclass Europe and now even the U.S. has to stand on its toes to remain eye to eye with Asia. Growing productivity and population numbers as well as the growing political clout of Asia – a region that does not speak with a united political voice – is challenging U.S. and European global supremacy. While the volume of transatlantic economic relations continues to remain impressive, regulations, protectionism and unstable exchange rates are blocking the path to a fully integrated transatlantic trade zone.

On the other hand, the U.S. and Europe are both profiting from the rapidly growing Asian markets. Trade and investments formerly flowing between Europe and the U.S., increasingly flow out of the U.S. into the Pacific region and out of Europe toward the East. However, the economic enthusiasm is buffeted by budget deficits in the U.S. and by growing costs related to social and economic integration in Europe. Labor markets on both sides of the Atlantic have changed due to immigration. In the U.S. this has led to a reduction in the cost of labor, and Europe has only partially been able to close the demographic gap through increased immigration. Intensive conflicts and tensions exist between the indigenous and the migrant work forces.

Thanks to close trade relations and common security, migration and culture policies, Mexico and Canada are closely linked to the U.S. However, the U.S. is the unchallenged leader of this North American partnership, and both Mexico and Canada are dependent on the developments within the larger state.

Worldwide, a realization emerged that it was necessary to curb the impact of climate change. This realization was followed by political action. Proportionally, the traditional industrial nations were able to significantly reduce their CO<sub>2</sub> emissions, while those countries with the highest population numbers have not yet been able to meet the ambitious goals set by international agreements. Oil from the Middle East is fueling the Asian markets and keeps the transatlantic powers at arms length. The U.S. receives most of its oil from Latin America while Europe is relying on Russia to secure Europe's demand for natural gas. Both transatlantic partners are attempting to free themselves from their dependence on foreign energy. While alternative energy is still state subsidized in Europe to remain competitive, the transatlantic partners have begun to cooperate closely on innovative new technologies, despite the fact that the partnership continues to be defined by the competition over fossil fuels. Emerging transatlantic innovations in the energy sector have created hope in the minds of many businesspeople and politicians that an era of renewed cooperation will take hold.

Following the inclusion of several Balkan states, the EU encompasses more than thirty member states. Turkey is not yet a full member state but a close partnership with the EU has begun and integration talks are in high gear. Europeans view the integration process as primarily a result of collective European – and therefore Christian – values, but are also aware of the strategic link that Turkey creates with the Islamic world. Turkey therefore continues to be part of the transatlantic alliance and the alliance now extends to the borders of the unstable Middle East. European integration is also improving the quality of transatlantic relations because it keeps European markets open to U.S. goods, and the growth has supported a continuous flow of investments from Europe to the U.S. There is still not a collective European Security and Defense Policy (ESDP). Europe is not yet able to speak with a single voice on the international stage or to unite its power in collective membership in multilateral institutions. However, significant advances have been made in this area. The U.S. has accepted that there is no equally powerful European ally and does not interfere in European politics.

The transatlantic partners are pursuing common interests in the Middle East, albeit utilizing different strategies. Iraq, Afghanistan, Jordan and Lebanon are fragile states while Syria and Iran are organizing a regional resistance to U.S. and European influences. Such influences are obstructed by Iran having achieved nuclear status. Fragile democracies are not only present in the Gulf and in North Africa. Economic aid and increased regional stability has replaced global democratization efforts. After overstressing its imperialist ambitions, the U.S. was not able to act more forcefully. The U.S. has recalled its military forces from Iraq and the U.S. administration repeatedly admits that it has learned its les-

son. Together with China and India, other Asian great powers are challenging the U.S. and are also highly dependent on Middle Eastern resources. They are exporting their labor force to the region and have signed agreements with many autocratic governments that are enriching themselves by selling their natural resources.

Transatlantic military inequality persists. Europe is not willing to provide the necessary financial and political means to become a large military power. Lessons learned from prior crises and conflicts indicate that neighboring states and regional organizations are best and most able to act efficiently. There are a large number of supranational terrorist organizations that tend to have regional interests. Because Europe is largely preoccupied with itself and is not interested in an expansion of European power, it is recklessly ignoring its security interests. Transatlantic security is discussed within NATO, but past mistakes and mishaps have reduced the organization's impact and utility. Efforts to stabilize the Middle East and Central Asia have been undertaken with limited mandates. New and expanded engagements are not likely. The transatlantic partnership is still in existence, but the age of close cooperation and mutual dependence is clearly over.

### III.3 The Stable Catamaran that Safely Navigates the Rough Seas

Thanks to clever economic and political foresight and accurate predictions, the transatlantic partners are safely navigating the rough seas of an increasingly globalizing world. Although states like China and India have risen to become economic superpowers, the intimate transatlantic economic partnership has held up and has found profitable access to the markets in the developing world. The resurgence of multilateral institutions forms a strong base for the strength and volume of transatlantic trade and investments. A well-functioning global trade system has materialized and the WTO – fueled by the transatlantic economic motor – has developed into a worldwide well-respected institution. The transatlantic partners have committed themselves to fair global trade and have replaced short term and protectionist policies vis-à-vis the developing world with long term trade policies. Through cooperation and new innovations and technologies, U.S. and European companies have achieved a unique leading market position in many industry sectors. Transatlantic innovation and cooperation has increased overall so that both partners are able to profit from globalization.

In addition, the U.S. has recognized the potential of its neighboring countries, and Mexico and Canada have developed into important links to the global South and to Europe respectively. American and European aid in education and infrastructure has resulted in greater Mexican economic competitiveness and political stability. However, the North American nations continue to pursue their political interests individually and cooperate only when their interests converge.

The transatlantic partners are cooperating more closely in the areas of energy and resource security. Both partners have increased their production of domestic renewable energies. At the same time they have curbed their demand for oil and have increased their energy efficiency levels. This innovative thinking has not merely fueled the transatlantic economy but has also given rise to a new source of income, since Asia, due to rising energy costs, is attempting to imitate the transatlantic model to reduce its own dependency on oil. Climate change is persisting, but policies to curb CO<sub>2</sub> emissions have been implemented. The battle against global warming is still on top of everyone's agenda, but now seems more manageable.

The intensification of transatlantic economic relations would not have been possible without a deepening integration of the European Union. Reforms of the labor and finan-

cial markets in the EU member states have played an important role in the recent economic growth. Agricultural subsidies and structural funds that handcuffed integrated and dynamic European economic growth have been cast aside. The successful integration of Turkey into the EU and amicable relations with Russia – a country, which has moved closer to real democracy – have changed the character of the EU. The stability of the Euro and steady EU economic growth has helped the EU develop into an important political actor. The EU now speaks with a common voice in the international arena and has increased its influence vis-à-vis the U.S. The transatlantic partners are attempting to consult and act in close cooperation to regional and global challenges.

The strengthening of the EU and its close relations with the U.S. made possible by a functioning global trade regime have also driven the transatlantic partners' consensus on strategic security. In addition, the inner-political EU stability, and the stronger inclusion of EU citizens into the EU political arena, have enabled the EU to evolve into a self-confident international actor. The U.S. and the EU were indispensable in creating a functioning global trade system. This trade system is supported by the WTO and necessary to put a halt to more bilateral trade agreements. Thanks to the flourishing transatlantic economic market, both partners are able to control and regulate globalization. This has freed up resources to support and send aid to equatorial countries that have been hit hardest by climate change and to less developed countries.

A consensus on common values such as freedom and democracy keeps the transatlantic partners closely allied in matters of security. The U.S. and Europe are complimentary partners in NATO, and both are engaged in conflicts and crises in the Middle East and Africa. Iraq and Afghanistan continue to be unstable democracies that depend heavily on international support. However, U.S. and NATO troops are no longer stationed in either country but have been replaced by an international UN mandated mission. Iran is a nuclear power and is administered by a moderate government that does not represent an imminent threat to the transatlantic partners. In contrast, the regions are involved in expansive trade relations. Violent Islamic groups have given up their terrorist ambitions ever since their political wings have taken over the organizations. Moderate Islamic states are engaging each other economically and politically and the region has experienced an economic upswing.

Apart from the EU, which speaks increasingly with one common voice within the framework of multilateral organizations, the U.S. is showing unreserved interest in multilateral cooperation. These phenomena are helping the transatlantic partners avoid political disagreements. The EU has taken on a complimentary diplomatic role and is cooperating on a multilateral basis with the U.S. to pursue common interests. The U.S. has proven itself to be a moderate partner but continues to be a political superpower. The transatlantic partners coordinate their security policies regularly in a strong NATO alliance. This is complimented by an EU Common Security and Defense Policy (ESDP); a policy which encompasses strong peacekeeping and humanitarian capacities. After celebrating their 25<sup>th</sup> and 50<sup>th</sup> anniversaries, the transatlantic partners are preparing to celebrate their 75<sup>th</sup> anniversary – traversing some good and some bad times along the way.

## IV. Courses of Action – Achieving Higher Quality Relations

### IV.1 Broaden the Concept of Transatlantic Relations

It is not entirely clear who is defined as a partner in transatlantic relations. Germany should be viewed as an important member state that is involved in an ever evolving EU integration process. When referring to transatlantic partners on the western side of the Atlantic one should speak of the U.S., Mexico and Canada. If one is only referring to the U.S., this should be clarified to avoid isolating the other two North American states and missing chances at cooperation.

Germany could strengthen its role and influence in North America if it would not take its relations with Canada for granted, but instead expanded their political relations. Canada is often more closely aligned with Germany's political goals and strategies than the U.S. In case of disagreements between Germany and the U.S., Canada could become an important transatlantic intermediary. The same can be said for a possible intermediary role of Canada and Germany between the U.S. and Mexico, especially regarding the problems of economic and social disparity between the two countries. An expanded definition of the transatlantic economic realm would also expand the still mostly bilateral U.S.-German transatlantic trade relations.

### IV.2 Improve Communication: Turning Crises into Opportunities

To improve and strengthen future transatlantic relations Germany should be more active and strive to conduct an open dialog, instead of reacting as a junior partner to the U.S. It would be ideal if Germany would pursue a strategy that involved coordinated cooperation with the U.S., through which Germany can clearly articulate its interests and conditions. If Germany views U.S. actions as unwise or illegitimate – as it did regarding the war in Iraq – Germany should voice its own strategies and European strategies and opinions confidently within the framework of multilateral institutions. This would be a method designed to balance transatlantic power.

A middle ground should be found between the pessimistic German approach (to manage problems) and the optimistic American approach (to solve problems by enforcing U.S. political, economic and military power). It would be disruptive to maintain one's own rigid positions and values throughout the negotiation process. It would be more constructive to look at problems from a pragmatic point of view without losing sight of one's principles. It would also be wise to lower expectations because high expectations are likely to lead to frustrations when expectations are not met.

One's differences in approaching problems should be thoroughly discussed and acknowledged by the political elites. Stereotypes ("Americans are gun slinging cowboys.", "Germans are arrogant weaklings.") should be cast aside. There are substantial differences in values and interests on both sides of the Atlantic. However, there exist also unquestioned similarities such as shared beliefs in freedom, justice and the rule of law.<sup>24</sup> A public dialog should be initiated that identifies shared challenges and threats. The partners' respective media could contribute to an atmosphere of openness and a reduction of stereotypes.

Germany should learn to showcase itself as a multifarious transatlantic partner. Exchange programs are an excellent platform to initiate dialog on a multitude of levels that exceed those of economists and politicians. More North Americans should be invited to visit Germany to give them an insight into those fields where Germany is a global leader and innovator such as energy efficiency, environmental protection and vocational training.

24] See: Garton Ash, Timothy. "A Free World. Europe, America and the Chance out of Crisis". Munich and Vienna, 2004.

Close personal contacts between German and European politicians are vital to strengthen the information exchange with the U.S., and to achieve an overall better understanding of the position of the transatlantic partner.

In addition, it is important for a successful transatlantic dialog to not only engage in dialog with those partners who share one's own ideologies. Instead, new and productive relations can be established with actors who share similar interests and goals even if their political strategies to achieve these interests and goals differ. For example, religious and evangelical groups in the U.S. could be contacted that share European goals, such as fighting climate change and poverty in Africa. Finally, the transatlantic elite should work on a tripartite framework, in which the U.S. in combination with third partners, and Germany acting as a representative of the EU, can tackle challenges such as the economic development of Asia as well as Iran's and North Korea's nuclear ambitions.

### IV.3 Achieve a Well-Functioning World Trade System

A functioning and sustainable global trade system can further fair competition and can evolve to become the strongest bond in transatlantic relations. With the help of transatlantic cooperation, openness and leadership, a positive relationship with rising economic powers can be built. Their emergence should be regarded as an opportunity instead of a threat. Additionally, an economic trade system by which all nations can benefit economically will contribute to political stability and partnership as well as reduce the high numbers of economic migrants arriving in the U.S. and Europe. For these reasons, the transatlantic partners should support initiatives such as workers' rights and increased social and environmental standards within institutional frameworks such as the WTO. An active dialog with rising Asian economic powers is of particular importance.

The reinvigoration by the U.S. and Europe of the Doha Round is important. The WTO, a multilateral institution, is the best long-term instrument to achieve a functioning world trade system. The WTO must be able to make independent decisions without being circumvented by North American and European countries. The WTO should be an organization through which trade conflicts, for example the issue of genetically altered food, can be resolved. It is an absolute necessity that an early political dialog be established to avoid misunderstandings that could obstruct balanced transatlantic economic relations.

However, the WTO is only able to maintain its international legitimacy if the U.S. and Europe lead by example and refrain from enforcing protectionist policies that hurt the developing world. This would send a strong signal to increasingly economically aggressive countries like China, India and Brazil. At the same time, policies should be prepared to deal with a possible failure of the WTO trade talks. In such a case, the transatlantic partners should be prepared to enforce WTO principles in the transatlantic zone and to support a non-exclusive transatlantic economic community. Such a community would present rising economic powers with the opportunity to join an alternative global world trade system.

### IV.4 Improve Cooperation on Climate Change and Energy

If the U.S and Europe were to become rivals for natural resources, transatlantic relations would cool off. Increased independence from oil and gas from Russia, the Middle East and South America will enable the U.S. and Europe to act independently of the political will of those unstable and partially autocratic regions of the world. Hence, it is in the political and economic interest of the transatlantic partnership to increase cooperation on this level. Improved environmentally friendly technologies, the development of alternative energy sources and energy conservation are all economically profitable, and they are large factors in reducing CO<sub>2</sub> emis-

sions. Such cooperation would strengthen economic relations between the partners.

To fight climate change effectively, it is necessary to increase public awareness of the problem and to develop strong political will to curb its effects. In particular it is crucial to affect lifestyle changes that will reduce CO<sub>2</sub> emissions. To accomplish this goal, the transatlantic partnership must make respective laws more flexible and harmonize global standards to ease the development of innovative technologies. An accompanying political dialog should be held openly and aim to show the advantages associated with cooperation and alternative sources of energy and technologies. From a European perspective, it would be important to make the U.S. public aware of economic and political problems associated with the dependence on fossil fuels as well as with the possible associated economic growth of the alternative energy market. The focus should not necessarily be protecting the environment. Europeans should try to find new ways of cooperating with the U.S. Parallel to the Kyoto protocol, the EU should develop new political initiatives with the U.S. and present these collectively for the time after 2012 (post-Kyoto protocol). Former Democratic Senate majority leader Tom Daschle summarized what needs to be done: The U.S. has to “think green” and Europe’s thinking must become more strategic.<sup>25</sup>

#### IV.5 Strengthen the European Union

The EU must deepen and expand its integration process if it wishes to gain importance as a global actor. It is necessary to find common ground among individual EU member states, regarding their relations to the U.S. to avoid friction and splintering among them. Today, some EU member states still continue to prefer a special status with the U.S. Instead of becoming a counterweight to the U.S., Europe needs to become strategically more relevant, and therefore become more influential, constructive and a critical partner of the U.S. A lack of coherence among EU member states is weakening the union and contributes to the existing inequality and stagnation of the current transatlantic relationship. Germany can play a key role in the EU by leading the political dialog with Russia and sharing its in-depth knowledge of climate change with other EU members.

By relying on cooperation, the transatlantic relationship will be better able to affect peace and prosperity worldwide beyond European and North American borders. A strong EU is an attractive partner for the Balkan countries. The option of joining the EU is an important incentive to encourage good governance and to lower the risk of potential conflict. A European Union that includes Turkey would raise the strategic value of Europe (not only for the U.S.) and would establish an important link to the Islamic world. Additional natural resources and work forces from new member states would not only strengthen the EU but could possibly curb existing demographic problems. A mix of positive and negative incentives in combination with public diplomacy vis-à-vis potential new member states could strengthen the EU, which, along with the U.S., must frame globalization.

Labor market reforms are indispensable to achieve greater economic integration. The EU should also reform its agricultural sector if it truly wants to pursue policies of free and fair trade, and make its own market more efficient and flexible. Europe can also build on its comparative advantages and national capacities in the areas of a Common Foreign and Security Policy (CFSP) to support peace and prosperity. Instead of establishing structures parallel to NATO, the focus of the EU should be the promotion of democracy and the rule of law, as well as increasing its capacities for humanitarian and peacekeeping forces. CFSP would thereby not only be strengthened, but it would also improve in quality. This would set it apart from the largely military-oriented policies of the U.S.

25] “The Green Alliance: Redefining the Transatlantic Partnership”; an address by Tom Daschle at the conference on the occasion of the U.S.-EU Summit “The United States, Germany and Europe: Toward a New Global Partnership”, April 30, 2007, Washington, DC.

#### IV.6 Renew and Expand the Transatlantic Security Cooperation

NATO is no longer necessarily the most vital transatlantic security institution that used to function as a buffer against Soviet power. The transformation of NATO is necessary to guarantee transatlantic security. To accomplish this, a collective identification of threats and associated solutions is necessary to curb the spread of nuclear weapons and transnational and state-sponsored terrorism. A strong NATO, in which Europe plays a key role, and with which EU security institutions share their work load, could improve the image of NATO as an instrument that is currently designed to only support U.S. national interests. Europe should avoid developing unnecessary supplementary structures to NATO. This will improve the EU's image as a credible guarantor of security.

Cooperation within NATO could improve global human security. This is a shared interest of the U.S. and Europe. European and U.S. security strategies are ideal starting points to cement a far-reaching consensus on security matters that could effectively respond to threats such as epidemics and poverty and could formulate human security strategies. The EU could also play a strong part in the field of peacekeeping and peace consolidation, for example in the form of police intervention forces, which could be used in post-conflict areas. The prevention of armed conflicts must remain the major prerogative. It is these strengths of its security policy that the EU should focus on and use this comparative advantage to effectively supplement NATO and U.S. military policies and capacities. In addition, the transatlantic partners should maintain a lively dialog regarding the compatibility of their democracy promotion strategies and goals for achieving greater synergy through an effective division of labor.

#### IV.7 Prepare Multilateral Institutions for the Future

In an increasingly globalized world (not only) the transatlantic partners are in need of effective and future-oriented multilateral institutions. The current system comprised of the United Nations, the IMF and the World Bank is in dire need of reforms to create a functioning web of multilateral institutions, through which the transatlantic partners can work more effectively with other nations to achieve the spread of peace, democracy and prosperity. Without reforms, these institutions are not capable of dealing with new global challenges and threats in the fields of environmentalism, economics, diseases, conflicts, and terrorism.

The existing mechanisms to find solutions to current problems reflect the realities of the year 1945, but not contemporary circumstances. Emerging powers such as India, China and Brazil play a much larger role than before. They have a larger impact on the global economy, but continue to be underrepresented in international organizations. These nations are indispensable for guaranteeing transatlantic security and prosperity; therefore they should be supported by the U.S. and Europe. A possible solution is to redistribute the number of votes in international financial institutions in order to grant underrepresented countries greater decision-making power. The transformation of multilateral institutions can lead to positive growth, which is in line with the values of the transatlantic partners and in the interest of the other rising powers.<sup>26</sup>

Chances for a renewed and reliable transatlantic partnership in the fields of politics and economics are good. The transatlantic partners should not let this opportunity pass. On the European and transatlantic level, Germany's initiative is a valuable commodity.

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## Compass 2020

### Germany in international relations

#### Aims, instruments, prospects

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