

## **Angie, Where will You Lead Us From Here? Merkel, Bush, and German-American Relations**

*By Daniel Hamilton*

The advent of the Grand Coalition led by Chancellor Angela Merkel offers Germans and Americans an opportunity to turn a page in their relationship and lay the groundwork for a global partnership rather than one rooted in 20<sup>th</sup> century clichés or ideological stereotypes. Opportunities are not guarantees, however. Each nation is beset by challenges at home; each continues to register significant differences with the other; and each has yet to advance the relationship in ways attuned to the challenges of our age and the promise of our time.

Merkel's ascendancy offers Germany an opportunity to reestablish its position as the continental anchor of the Atlantic Alliance. Her initial steps and statements on foreign policy have been welcomed in Washington. She will not send German troops to Iraq, but she recognizes that instability in the Broader Middle East is dangerous for Europe. She will address these instabilities by sustaining German commitments in Afghanistan; perhaps considering greater Iraqi training energizing more multilateral reconstruction aid; and working with the U.S. and other partners to contain Iran's nuclear ambitions and manage tensions associated with the rise to power of Hamas. She will continue German engagement in the Balkans, in Afghanistan, in global aid and relief. She is particularly keen to break out of both the personality-driven politics and the Berlin-Paris-Moscow triangle that framed a good deal of her predecessor's foreign policy. She will work with Russian President Putin but avoid his embrace, she will work with French President Chirac but avoid his shadow - and she will work with George W. Bush while working even harder to avoid being identified with the extremes of his policies.

Certainly a good deal of German-American irritation during the Bush-Schröder years was due to personality; the two could not have been more different. But it would be a mistake to over-personalize German-American irritations during that period, just as it would be a

mistake to believe that good personal relations between Bush and Merkel will make everything better.

Grand Coalition policies will be influenced by the legacy of the SPD-Green government, particularly since the Foreign Office and key portfolios of interest to the U.S. are held by the Social Democrats. That legacy is decidedly mixed in terms of relations with official Washington.

There were of course important positive elements. German military intervention in Kosovo to halt ethnic cleansing, German diplomacy to resolve the Balkan wars and provide a framework in which to integrate southeastern as well as central Europe into the EU and NATO, German solidarity with the U.S. in the wake of the September 11 attacks, and Germany's engagement in Afghanistan since then were all welcomed in Washington. But there were also many negatives, particularly the tensions over Iraq.

The Grand Coalition does not plan significant shifts on issues of division with the Bush Administration, including Iraq, strategies for fighting terrorism, questions of civil liberties and human rights, reform of the U.N. Security Council, the legitimacy of the International Criminal Court, and implementation of the Kyoto Protocol on global warming. The domestic context of these disputes is even more important. The German public is more than skeptical of the American president; the prevailing popular impulse is simply to thumb one's nose at the "Bushies".

Moreover, from the start the Grand Coalition has been continuously embarrassed and embroiled in domestic controversies related to relations with the Bush Administration, particularly U.S. rendition of terrorist suspects, allegations of CIA secret prison facilities, and a Bundestag investigation into press reports that in April 2003 two German intelligence agents were on the ground in Iraq, despite Schröder's antiwar stance, providing coalition forces relevant military information. The Bush Administration, in turn, was irritated by the recent decision by German authorities to release convicted

Hezbollah terrorist Mohammad Ali Hammadi, whose extradition had been a long-standing U. S. request.

Other nettlesome issues are certain to crop up, but the overall health of the relationship over the next three years is more likely to be measured by the ability of both sides to rebuild a sense of common cause in a few key areas: economic leadership, fighting terrorism, dealing with the Broader Middle East and reconciling effectiveness with legitimacy in the contemporary world order.

### ***Economic Leadership***

The most important issue facing the Grand Coalition is Germany's stagnant economy. As long as Germany remains economically hobbled it will be politically hobbled – and unable to conduct the active foreign policy role its allies need and its interests require.

Germany's partners have a major stake in Merkel's success. Unless and until Berlin embarks on painful economic reform, the rest of Europe is likely to muddle along while more dynamic economies in other parts of the world forge ahead. If Germany proves unable to tackle its serious structural rigidities, then the economy that was once Europe's *Wunder* could turn out to be its Achilles Heel.

Germany's success is also important to the United States, whose own interests are tied to a vibrant and growing German economy. As the world's third largest economy, Germany represents a huge market for U.S. companies. More than two million workers in both countries owe their livelihoods to strong German-American commercial ties. Moreover, our mutual stake in each other's prosperity has grown dramatically since the end of the Cold War. U.S. assets in Germany alone are greater than those throughout South America. U.S. affiliate sales in Germany are five times those in China. Despite all the media hype about "big emerging markets," over the first half of this decade U.S. direct investment in slow-growth Germany was three times that of U.S. investment in turbo-charged China and twelve times that in emergent India. Germany alone accounts for 17

per cent of total research and development expenditures (R&D) of U.S. foreign affiliates worldwide, and German R&D expenditures in the U.S. account for 20 per cent of its global total.<sup>1</sup>

The Grand Coalition's ability to advance domestic economic reforms is related to the ability or willingness of both Germany and the United States to advance a two-fold international economic agenda. The first element is ensuring the success of the Doha Round of multilateral trade negotiations. The key to Doha is agricultural trade liberalization, which would do more than almost anything else to raise the developing world from poverty. As the world's number one exporter, Germany has a significant stake in the success of multilateral market-opening initiatives, and in previous trade rounds German economic leadership has been needed to ensure success in the end stage. The key question is whether Chancellor Merkel is prepared to press France and Poland to shift EU agricultural support funds away from export subsidies and other trade-distorting measures, thus opening the possibility for compromises on all sides and a successful Doha deal.

The second opportunity is to forge an open transatlantic marketplace grounded in the vital stake both countries have developed in the health of their respective economies. The transatlantic economy is the freest in the world, but it is not free. A variety of non-tariff barriers and domestic regulatory differences still limit the full potential of the transatlantic market. The OECD estimates that a package of transatlantic market-opening initiatives could lead to permanent gains in GDP per capita on both sides of the Atlantic of up to three to 3.5 per cent.<sup>2</sup> This is the equivalent of giving every working person in Europe and America an extra year's worth of earnings during their working life. Most of the transatlantic barriers to be tackled are not the traditional tariff barriers being

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<sup>1</sup> See Daniel S. Hamilton and Joseph P. Quinlan (eds), *Deep Integration: How Transatlantic Markets are Leading Globalization* (Washington/Brussels: Center for Transatlantic Relations/Center for European Policy Studies, 2005); Daniel S. Hamilton and Joseph P. Quinlan, "U.S.-German Relations: Will the Ties that Bind Grow Stronger or Weaker?" in Kai Lucks, ed., *Transatlantic Mergers and Acquisitions: Opportunities and Pitfalls in German-American Partnerships* (Erlangen: Publicis, 2005).

<sup>2</sup> OECD, *The Benefits of Liberalising Product Markets and Reducing Barriers to International Trade and Investment: The Case of the United States and the European Union*, Economics Department Working Paper 432, Paris, June 2005.

addressed by Doha, but domestic non-tariff barriers. Even a successful Doha global trade round, for example, will not address such pressing issues affecting the European and American economies as competition policies, standardized corporate governance, more effective regulatory cooperation, tax and other issues. Nor will it address issues raised by European and American scientists and entrepreneurs, who are pushing the frontiers of human discovery in such fields as genetics, nanotechnology and electronic commerce where there are neither global rules nor transatlantic mechanisms to sort out the complex legal, ethical and commercial trade-offs posed by such innovations. There are no patented "European" or "American" answers to these challenges. In fact, for most of these issues, neither side has even sorted out the appropriate questions, much less the answers.

### ***Finding Unity on Terrorism and Transformation of the Broader Middle East***

The Broader Middle East is the region of the world where unsettled relationships, religious and territorial conflicts, impoverished societies, fragile and intolerant regimes and deadly combinations of technology and terror brew and bubble on top of one vast energy field upon which Western prosperity depends.

Choices made here could determine the shape of the 21<sup>st</sup> century – whether the spread of weapons of mass destruction will be stopped; whether the oil and gas fields of the Caucasus and Central Asia can become reliable sources of energy; whether catastrophic terrorism can be prevented; whether Russia's borderlands can become stable and secure democracies; whether Israel and its neighbors can live together in peace; and whether millions of people can be lifted from pervasive poverty and hopelessness.

The Broader Middle East has become the central arena for transatlantic relations in this new century. The main threat to European and American security is destruction or disruption of our societies or irretrievable damage to our interests generated by turmoil in this region.

Can we find a common approach? The first step is to affirm that this is decidedly not a “clash of civilizations” but a clash between civilized people in all cultures and those who cloak themselves in the language of the world’s great religions even as they betray their most fundamental teachings. We must define this struggle not as one between Islam and the West, but one between prejudice and respect, between those who would open societies and those who would shut them down. We must define this struggle not only within our own communities but in the minds of 1 billion Muslims.

Second, we must seek wherever possible to align our positions regarding the worrying trends in the region. Whatever our differences over the Iraq war, we share a stake in a viable peace. Whatever our tactical differences over dealing with Iran, we share a stake in containing the nuclear ambitions of its leaders. Whatever our views on Israeli-Palestinian differences, we share a stake in advancing the Middle East peace process and remaining united in our message to Hamas after its victory that it must forswear violence and recognize Israel’s right to exist. Moreover, beyond the specifics of any one of these challenges, we share an interest in developing a regional security structure for the region that takes into account the interests of Israel, Iran and the Arab countries.

Third, we must transform our Alliance. Chancellor Merkel has urged NATO to revise its strategic concept by its 60<sup>th</sup> anniversary in 2009. NATO summits planned for 2006 and 2008 can set the stage for a NATO that is better, not just bigger. Such a NATO must transform its scope and strategic rationale, its capabilities and its partnerships. Most European NATO forces must be better at deploying and projecting power. The Alliance as a whole must be able to win peace, not just deter or win war, by creating an integrated, multinational security support component that would organize, train and equip selected units—civilian and military—for a variety of pre- and post-conflict operations. These units should be designed flexibly to support operations by NATO, NATO and partners, the EU, and the UN. Finally, NATO’s nations—and their partners—must be prepared not only to project power beyond Europe but also to prevent, deter and, if necessary, cope with the consequences of WMD attacks on their societies—from any source. If Alliance governments fail to defend their societies from a WMD attack, the Alliance will have

failed in its most fundamental task. These challenges are daunting in themselves, but we will be unable to address them if we cannot infuse power with legitimacy, a final major test for both partners.

### *Harnessing Power to Purpose*

For the past 60 years the transatlantic relationship has been the world's transformative partnership. More than with any other part of the world, America's relationship with Europe enables both partners to achieve goals together that neither could alone. This is what still makes the transatlantic relationship distinctive: when we agree, we are the core of any effective global coalition; when we disagree, we are the global brake.

Harnessing this potential means paying attention to both legitimacy and effectiveness. The genius of the American-led system constructed after the collapse of Europe, following two world wars, was that it was perceived to be legitimate by those within it. We have not enjoyed the West's sixty-year peace just because our countries are democracies (although democracy is a major contributor!), but because we built our success on a dense network of security, economy and societal interaction, and because all partners came to believe that, by and large, they had a voice in the overall direction of the transatlantic community.

The lesson is simple and relevant: The effective use of power includes the ability not just to twist arms but to shape preferences and frame choices—to get others to conceive of their interests and goals in ways compatible with one's own. The ability of any nation to translate power into sustainable influence derives from the perception among those it seeks to influence that its authority is legitimate. This perception of legitimate authority, in turn, stems from the principles a nation stand for and the degree to which it adheres to those principles itself, both within its own nation and in its dealings with other societies. Unfortunately, in recent years official Washington has confused power with virtue.<sup>3</sup> On a

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<sup>3</sup> See Samuel Berger's Lecture at the American Academy Berlin, December 8, 2005.

host of issues the United States has allowed its power to obscure its need for legitimacy. When challenged, we strike out on our own rather than seek common ground. By viewing our key alliances, international treaties and regimes at best as ineffective and at worst as an unacceptable constraint on U.S. freedom of action, we have paid the costs of less legitimacy, greater burdens, and ultimately diminished ability to achieve our goals.

The global legitimacy of American leadership was a major casualty of the first Bush Administration. Restoring it has become a defining issue for transatlantic relations and a key measure of the second Bush Administration. The U.S. cannot lead unless others choose to follow, and they will not make that choice over and over again unless they perceive it to be in their own best interests to do so. This depends on the degree of confidence they have in Washington's capacity to cope with core challenges, and whether the way in which the U.S. does so is perceived to be legitimate.

Integrating legitimacy with effectiveness is also a challenge for Germany and its European neighbors. Those who believe that robust international norms and multilateral enforcement mechanisms are needed to tackle global threats must focus equally on the effective enforcement of such regimes, and consider more forthrightly the necessity to act when these regimes fail. Might there be circumstances under which commitment to "international law" could risk national survival or result in mass human tragedy? How can we narrow the yawning gap between *legality* and *legitimacy* in today's world? What should we do when faced with a conflict between state sovereignty and human rights? How can international institutions originally created to keep the peace *between* nations be adapted to secure peace *within* nations? How can the international community prevent future Afghanistans, future Rwandas, future Kosovos, future Iraqs, future Sudans? Europe's instinct in response to these challenges surely cannot be to contain U.S. power, but rather to marshal its own – to be America's counterpart, not its counterweight.

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