

Germany-USA: a pragmatic partnership

Artur Ciechanowicz

Barack Obama's first official visit as US president to Berlin (19-20 June) is being seen as representing a desire to strengthen relations with Europe, and an indication that Germany is the US's most important partner in the euro area. So far, Obama has been to Germany three times: once as a presidential candidate in 2008, when he gave a speech at Berlin's Victory Column, and twice as president of the United States (when he paid visits to Baden-Baden and Dresden, but not Berlin). The current visit coincides with the 50th anniversary of John F Kennedy's June 1963 speech, and comes in the context of the election campaign in Germany before September's parliamentary elections.

The United States' changing geopolitical priorities towards Asia, and Germany's growing interest in emerging economies, makes both partners inclined to explore new initiatives to boost their trans-Atlantic ties and counteract protectionism. The start of negotiations on a free-trade agreement between the EU and the USA (the Transatlantic Trade and Investment Partnership)) is intended to be part of this process, which the Germans interpret in both economic and political terms as opening a new chapter in trans-Atlantic relations.

After a period of considerable tension, German-American relations have become more pragmatic, and their economic ties increasingly strong. However, disputes still exist regarding global economic governance, as both countries have different attitudes towards the use of stimulus packages and austerity policies as means for overcoming the crisis. The two countries also divide approaches to international security, particularly with regard to the use of force. In addition, the US expects Germany to become much more involved in using its own economic, political, and military potential to resolve international conflicts.

Germany, the US's most important partner in the euro area

In the initial period after the end of the Cold War, relations between the government of Helmut Kohl (CDU) and the successive US administrations of George H W Bush and Bill Clinton were subordinated to the logic of US foreign policy. This approach was subsequently changed by the Iraq crisis in 2002-2003, when as a non-permanent member of the UN Security Council, Germany (along with Russia and France) opposed the US's intervention in Iraq without a UN mandate. The freeze of relations between Berlin and Washington was broken by Chancellor Angela Merkel, who as the head of a grand coalition government (CDU/CSU-SPD) since 2005 has sought to improve bilateral relations. The strengthening German position in Europe (as a result of the Agenda 2010 structural reforms and the weakening of its European partners during the crisis) has been positively received by the United States. Washington has also called for Berlin's greater involvement in the rescue of

the euro area, as well as Germany's increased participation in resolving global problems (such as the UN's Millennium Development Goals, as well as security issues). Moreover, in its talks with Europe, the United States tends to prefer conducting dialogue with the leader of the EU, and to avoid EU institutions which they believe to be ineffective, as exemplified by the freezing of official EU-US dialogue (no summits between them have been held since the end of 2011).

For Berlin, deepening trans-Atlantic cooperation by means of a free-trade agreement represents the security of its existing economic interests in its relations with the United States, and offers the opportunity of greater cooperation with the emerging economic powers. It is also a political project that complements the trans-Atlantic relationship (in addition to security issues, within the framework of NATO and bilateral policies).

Common ends, different methods in foreign policy

The United States perceives Germany as potentially an increasingly important country in resolving international conflicts. Washington expects greater involvement from Berlin in the political and military stabilisation of crisis-ridden regions, which would correspond to Germany's declared aspirations to become a permanent member of the UN Security Council. At the same time, German foreign policy is limited by its economic interests and the parliamentary nature of the army (i.e. the need to obtain the Bundestag's consent to deploy the Bundeswehr, which *de facto* makes any military expedition dependent on public sentiment), and so it cannot implement US demands.

At the same time, Germany does share a significant part of the US's foreign policy goals. This includes the Middle East peace process, criticism of Israel by both Washington and Berlin for constructing Israeli settlements in the Occupied Territories, and the ongoing training of the armed forces in Afghanistan. Germany will remain active in Afghanistan after 2014, particularly in training police officers, as well as being a donor of development and humanitarian aid. Germany is also an important partner for the US in negotiations with Iran on its development of a nuclear programme, as it is the only participant country which is not one of the five permanent members of the UN Security Council.

Both partners, however, differ in their approach to resolving conflicts in international relations. This is currently apparent in the discussions on the possible arming of Syrian rebels; the limited German reaction to the conflict in Mali; and Berlin's position on the intervention in Libya (as a non-permanent member of the UN Security Council, Germany abstained from the vote on the resolution establishing a no-fly zone, along with Russia, China and Brazil). The reform of the Bundeswehr and the change in its profile – from a force whose aim is to defend the national territory to an expeditionary army – does not mean that Germany is willing to engage in armed conflict wherever the United States wishes to act. The Bundeswehr's new mission is to protect German interests (including the security of maritime routes), rather than any desire to replace the United Kingdom in its military cooperation with the United States.

Pragmatic cooperation on the economy

In recent years, there have been several disputes between Germany and the US on economic issues. In 2008, German media accused the US of irresponsible economic policies that led to the global financial crisis; and in 2010, Germany reacted with scepticism to the US central bank's attempt to fight the crisis by printing money. For their part, during the euro-area crisis American politicians and economists criticised Germany for its policy of forcing through austerity in the euro area. During the G20 summit in 2010, Germany and China were criticised by US Treasury Secretary Timothy Geithner, who accused them of excessive reliance on exports.

Despite their differences in economic policy, cooperation in this area has generally been very good. The US is second only to France as Germany's most important market for goods, and is the third biggest exporter (behind the Netherlands and China) to the German market. In 2006-2009, German sales on the US market decreased, collapsing by 24% in 2009. Since that time, however, the sale of German goods in the US has been steadily growing. Last year the mutual trade between the two countries was 16.5% higher than in the last pre-crisis year of 2008. German exports to the US increased in 2012 by 17.6%, as did imports from that country, by 4.2%. Germany has a trade surplus with the US of €36 billion.

Germany is also a major investor in the US, although the investment flow in the opposite direction is much lower. In 2009, the amount of German investment in the US was €220 billion, and €253 billion in 2011; whereas investment in the opposite direction in 2009 amounted to €54.9 billion, and €76.9 billion in 2011. Many German companies have been increasingly impressed by the lower energy prices on the US market (thanks to the shale gas revolution), and are considering investing in the US or transferring their operations there from Germany.

The free-trade agreement and its consequences

Next to the United Kingdom, Germany is the main proponent of the free-trade agreement between the US and the EU, and so the main topic of the German-American talks has been the issues associated with it. The agreement is mainly aimed at harmonising regulations and eliminating both barriers to market access and non-tariff barriers. This agreement may help German exporters and investors operating on the US market. Representatives of German industry estimate that this year the United States, along with China, will be the major powerhouse of German exports. This agreement could bring significant benefits to German industries in the automotive, machinery, electronics and financial fields. They could make savings thanks to lower tariffs, the elimination of administrative barriers, reducing the need to adapt their products to the US market, and a more efficient and uniform regulation of the trans-Atlantic financial market. However, the consequences of the agreement are being viewed with concern by the publishing, film and food production industries.

From analyses carried out by German research centres, it appears that thanks to the increase in trade turnover, Germany can expect long-term gains of 4.7% of GDP, although this is less than the average profit for the EU, of 5% of Union GDP. Germany expects to create 180,000 jobs as a result of the agreement. German-American business is set to double in volume while German trade with the euro area countries decreases: with France by 23%, and by 31% with Ireland, Greece, Portugal, Spain and Italy. Of the non-EU countries, the agreement would mean that Japan, Canada and Mexico have the most to lose.

Forecasts

The United States sees the agreement as an element of the political consolidation of the Western countries in the face of the growing strength of the emerging economies, especially China. Above all Germany wants to strengthen the position of German companies on the US market. However, Berlin does not intend to create a united front in opposition to China. Germany sees a good opportunity in the future to resolve global problems, and above all to deepen economic cooperation and liberalise global trade in multilateral cooperation. Berlin may also be hoping that better terms of trade between the US and the EU may induce previously closed economies such as China and Japan to open up more, for fear of worsening the competitiveness of their businesses relative to European and American companies.

If Germany and the US decide to make a strong commitment to the negotiation and implementation of the agreement, this will have consequences for relations within the European Union. Germany will be supported in this effort by the United Kingdom, which will be the largest beneficiary of the EU agreement. Negotiations on this issue, however, are another point of dispute with France. In the longer term, the shift of German exports from the euro zone to the US market may lead to loosening of economic ties within the euro area.

Despite the convergence of its foreign policy with the United States, Germany itself will decide on the use of military force to resolve international conflicts (avoiding this when it is not directly related to its own interests), and will always favour multilateral solutions. In this role, Germany can present itself as a successful 'bridge-builder' between parties to conflicts.

Appendix

The United States' most important trading partners in 2012 (in billions of euros)

	Country	Turnover in 2011	Turnover in 2012	Share in 2012	Change
1	Canada	470.1538	485.3	16.1%	3.2%
2	China	396.0184	422.0	14.0%	6.6%
3	Mexico	362.4922	388.8	12.9%	7.3%
4	Japan	153.465	170.3	5.7%	11.0%
5	Germany	116.0825	123.8	4.1%	6.6%
6	Great Britain	84.2877	86.4	2.9%	2.5%
7	South Korea	78.7787	79.6	2.6%	1.1%

8	Brazil	58.4741	59.7	2,0%	2.0%
9	Saudi Arabia	48.2431	58.1	1.9%	20.4%
10	France	53.3586	57.0	1.9%	6.8%

Germany's most important trading partners in 2012 (in billion euros)

	Country	Turnover in 2011	Turnover in 2012	Share in 2012	Change
1	France	167.7	169.0	8.4%	0.8%
2	Netherlands	151.4	157.4	7.8%	4.0%
3	China	144.3	144.3	7.2%	0.0%
4	USA	122.0	137.4	6.8%	12.6%
5	Great Britain	110.4	116.6	5.8%	5.6%
6	Italy	110.2	104,7	5.2%	-5.0%
7	Austria	95.1	94.5	4.7%	-0.6%
8	Switzerland	84.6	86.5	4.3%	2.2%
9	Belgium	85.2	82.7	4.1%	-2.9%
10	Russia	75.0	80.5	4.0%	7.3%

Source: Statistical Office of the United States, the Federal Statistical Office of Germany