



## OCCASIONAL PAPER #2/2019

# “Strengthening Transatlantic Resilience in Uncertain Times”

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A summary of the American Council on Germany and Atlantik-Brücke’s



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Berlin, Germany

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On June 11 and 12, the American Council on Germany and Atlantik-Brücke held their 2019 German-American Conference titled “Strengthening Transatlantic Resilience in Uncertain Times” in Berlin. The annual transatlantic conference explored the durability of the transatlantic partnership and how the United States and the European Union can strengthen resilience in a variety of areas, including democratic and multilateral institutions, economic cooperation, cybersecurity, and collaboration in the face of an economic and technological race with China. The conference was supported by DZ BANK and Pfizer Inc.

The conference began with an opening dinner on June 11 that included a conversation with **Friedrich Merz**, the Chairman of Atlantik-Brücke, and **John B. Emerson**, the former U.S. Ambassador to Germany and current Chairman of the American Council on Germany, titled “The Indispensable Partnership: Reflecting on the Past, Present, and Future.” In this discussion, moderated by **Tina Hassel**, Head of the ARD Hauptstadtstudio, Mr. Merz and Ambassador Emerson noted that we are in the midst of a cultural fight over the value of the liberal world order undergirding the multilateral institutions that have led to peace, prosperity, and security for the past 70 years. In addition, greater unity within the EU is needed both to take on more responsibility on the world stage and effectively address changes in engagement with the United States. To strengthen the transatlantic alliance, Ambassador Emerson called for investing more in programs that empower the next generation, and Mr. Merz suggested a greater focus on bridge-building at the state and local levels to address the everyday concerns of citizens in both countries. A transcript of the conversation may be found [here](#).

The evening concluded with a fireside chat with EU Commissioner **Günther Oettinger**, who provided insights on the current challenges facing the European Union and other issues that need to be addressed to strengthen the Europe. These issues include migration policy, strengthening the Permanent Structured Cooperation (PESCO), and increasing military investments, stronger climate-change policies, and the development of an industrial policy to create competitive companies in the EU. Commissioner Oettinger said that the EU must avoid being in a “sandwich position between China and the United States,” stating that common values and similar policy positions vis-à-vis China exist, but that there are differences in style. A common China strategy is desirable, but both the United States and Europe need to include the other in developing such a strategy, and the EU needs to work harder at developing unified positions to prevent China from completing deals with individual EU member states.

On the main conference day, June 12, **Annegret Kramp-Karrenbauer**, Chairwoman of the CDU, gave an opening keynote address. She explained to the more than 300 conference attendees that the United States and Europe must remain strong partners if “our values are to continue to shape the world.” During World War II, her father learned the value of democracy as a prisoner of war of the United States. She stressed the importance of remembering the emotions of the past and recognizing how these values bind Europe and the United States. One of these core values, she noted, is freedom of the press. “That is why there must be no equivocation about Russia and the United States. The decisive difference between these two countries is that journalists critical of the government can freely pursue their work in the U.S. while they are put on show trials in Russia,” Ms. Kramp-Karrenbauer said.

Ms. Kramp-Karrenbauer also made a strong commitment to Germany’s compliance with NATO’s target spending of 2 percent of GDP, underscoring the importance of fair transatlantic burden-sharing. “It is essentially a question of how reliable Germany is in its security policy commitments,” she said. Not only has the potential of threats risen – especially from unstable states in North Africa and the Middle East, terrorism, and cyberattacks – but meeting the target is also needed because Germany must lead by

example, as an economically strong nation. It is in Europe's very own interest to be able to defend itself and to ensure that it can be an equal partner to the United States.

With regard to China's geopolitical ambitions, Ms. Kramp-Karrenbauer spoke about a "systemic challenge" for the transatlantic alliance. China is an economically successful competitor, not an enemy, "which must motivate us to become better ourselves and to be dynamic." She said another key challenge is global climate change: "If the U.S. and Europe are not successful on this issue, then who should be?" In conclusion, Ms. Kramp-Karrenbauer appealed to the Western partners to keep reminding themselves of their common foundation: "Our unifying transatlantic bond is so strong that it can withstand the current differences. Our values are our biggest export."

The subsequent discussion between **Norbert Röttgen**, Chairman of the Foreign Affairs Committee of the German Bundestag, and **Dr. Charles Kupchan**, Senior Fellow at the Council on Foreign Relations and an ACG Board Member, dealt with the future of the rules-based liberal order. "There is a growing sense of insecurity in Western societies, primarily triggered by globalization and digitalization," Mr. Röttgen said. The financial crisis of 2007 and 2008 was an additional shock to the credibility of democratic, market-based economies. Established, traditional political parties have underestimated how much these changes impact people and cause constant uncertainty. "The sense of protection provided by the state is no longer a given," said Mr. Röttgen, and populists exploit this by providing simple answers and supposed solutions that are tempting for parts of the population.

Dr. Kupchan agreed with the analysis in this discussion, which was moderated by WDR Director General **Tom Buhrow**. "Our socioeconomic order is in the midst of a massive change, and it will take two to three generations to determine where we end up," Dr. Kupchan said. Isolation from other trading partners and from worldwide migration would not be a solution. Both argued in favor of maintaining free and fair trade without using economic power as a weapon, as U.S. President Donald Trump sometimes does in trade disputes with the EU and above all China. Additionally, Dr. Kupchan argued, economic uncertainty caused by job dislocation is not caused by immigration or global trade, but rather the "real source of the problem is technology as a disruptor." Both agreed that political leadership needs to better explain these issues to citizens.

The economic side of transatlantic cooperation was also emphasized by **Justin Muzinich**, Deputy Secretary of the U.S. Treasury Department. He stated that "this partnership is crucial for the prosperity of our countries." To maintain and expand the level of economic cooperation, he argued that the U.S. and the European Union must make the case that the international tax system should be reformed to levy taxes where the added value actually takes place. In addition, investment security is very important, especially for the financing of future technologies. With regard to the trade conflict with China, Deputy Secretary Muzinich noted that European companies would also benefit if the People's Republic adhered more closely to the rules of the World Trade Organization (WTO) and if a fair trade deal can be reached in the coming months.

In a conversation with **Andreas Dombret**, former member of the Board of the Deutsche Bundesbank, Deputy Secretary Muzinich stressed that the independence of the U.S. Federal Reserve was secure despite reports to the contrary. In response to a question about current political disagreements between the transatlantic partners, he suggested that "our differences are so small compared to the significance of our values" and that this should be the focus of our cooperation. A transcript of Deputy Secretary Muzinich's speech may be found [here](#).

Economic resilience in an interconnected global environment was the topic of the next panel discussion, moderated by **Edward Alden**, Bernard L. Schwartz Senior Fellow at the Council on Foreign Relations. **Godelieve Quisthoudt-Rowohl**, a member of the European Parliament and Spokeswoman in the Committee on International Trade for the European People's Party (EPP), noted that "market disruption currently outweighs resilience." In her view, a necessary form of sustainable economic resilience would be to anchor climate-protection policy measures much more firmly in global trade policy. ACG Board member **John Lipsky**, Peter G. Peterson Distinguished Scholar at the Henry A. Kissinger Center for Global Affairs at Johns Hopkins School for Advanced International Studies and former Deputy Managing Director at the International Monetary Fund (IMF), cited the "revolution of the world of work" through digitalization and aging societies in industrialized nations as disruptive forces. Politicians and economists need to find clever solutions to these issues. The "rapid growth of public debt" is also an enormous problem, he said.

Regarding China's trade policy, **Kate Kalutkiewicz**, Senior Trade Representative of the U.S. Mission to the European Union, argued that Europe and America's interests in China are very similar. The EU should therefore leave behind its role as a "passive actor" and help create fair competitive conditions for interaction with China. Everyone thought letting China into the WTO would result in reform, but this did not happen. Ms. Kalutkiewicz said "trade liberalization has impacts [on citizens] that can be explained, but if job losses come from unfair trade practices," it is difficult to make a strong case why more is not being done to protect workers. Regarding the Transatlantic Trade and Investment Partnership (TTIP), she said the backlash in the EU caught most people off guard because support was strong in the U.S. and remains so today. Ms. Kalutkiewicz suggested the challenges to achieving a similar deal in the future include the lack of analysis about the EU backlash, pushing back on the myths that were propagated, and addressing misperceptions about the deal.

**Richard Nikolaus Kühnel**, Representative of the European Commission in Germany, suggested that one of the current causes of economic disruption is countries "focusing on national self-interest and not collective interest where there is shared risk and responsibility." To achieve economic resilience, the EU must focus on stability and recognize that the China Belt and Road Initiative is not the problem. Rather, the EU should ensure that China abides by global rules, and engage China collectively through a China-EU Summit to find reciprocity on issues.

Echoing a theme that came up repeatedly over the course of the day, Ms. Quisthoudt-Rowohl suggested that economic resilience required more common EU approaches to issues, such as a monitoring system of Chinese investment in the entire EU, a policy on how to deal with state-owned enterprises, clearly defined economic policies allowing the EU to either collaborate with the U.S. or better make the case for different positions, and reform of the WTO to enhance its legitimacy.

The digital dimension of transatlantic resilience is becoming increasingly important when one thinks of cyberattacks on elections or critical infrastructures. The panel discussion on this topic, moderated by *DIE ZEIT*'s international correspondent **Matthias Naß**, first looked at the topic as it pertains to the military. **Lieutenant General Ludwig Leinhos**, First Chief of the German Cyber and Information Domain Service, emphasized that "it is extremely difficult to recruit enough qualified personnel to keep pace with the speed and complexity of the threats." Furthermore, it is impossible to provide 100 percent safety against a cyberattack. Lieutenant General Leinhos said that infiltration of computer systems and infrastructure are clearly cyberattacks but noted that misinformation campaigns on social media are also forms of a

cyberattack that fall under his responsibilities to confront. **Professor Dr. Christoph Meinel**, CEO of the Hasso Plattner Institute, explained the task of his institution related to questions of cybersecurity. “We need to develop the tools to better protect the internet from the activities of a wide variety of criminals. In particular, hacking and leaking of personal passwords poses an enormous challenge.”

The democratic process is also vulnerable, as the cyberattacks on the U.S. presidential election in 2016 have shown. **Kim Zetter**, Senior Staff Reporter for *Wired*, suggested that “incidents are not being properly investigated” and that investigations need to utilize not only forensic intelligence but also real spy work to assign attribution for attacks. Of particular concern in terms of attacks is data integrity theft in which minor changes to data are hard to detect but can have a big impact on results or performance. Commenting on the current discussion about cooperation with the Chinese network equipment provider Huawei, she said that every technology – including American and European ones – must be tested for cybersecurity gaps, because “anything can be hacked with enough effort.” The only difference with Huawei is that “an autocratic regime in China may have a leg up on its ability to hack into a system.”

What will the transatlantic partnership look like in 2020? Former German Federal Foreign Minister **Sigmar Gabriel** addressed this question in his speech. Mr. Gabriel first remarked that the global order is experiencing a tectonic geopolitical shift in which “the Atlantic is no longer the center; it has shifted to the Pacific.” Expressing his concern about the role of Europe as this shift takes place, he stated: “To put it simply, if we don’t wake up to these new realities, then the future world order will be a G2 world shaped by the U.S. and China. We are at risk of becoming geopolitically irrelevant. Already, there are signs of Europe’s geopolitical increased insignificance – in our direct neighborhood, wars and conflicts are being decided without a discernible European role in their resolution.”

To prevent such a scenario in 2020 and beyond, Germany must strengthen European unity without neglecting transatlantic relations. Germany must also confront a new “German question,” which is changing the country’s willingness to shoulder more responsibility beyond economic issues and no longer remain on the sidelines. In this regard, Mr. Gabriel stated that Germany must increase defense spending and suggested that one approach to meeting the NATO spending target of 2 percent would be “by earmarking 1.5 percent on reinstating the Bundeswehr and 0.5 percent on a NATO fund used for the modernization of NATO’s Eastern European members’ defense forces.”

Mr. Gabriel suggested that the changes being experienced in transatlantic relations may be permanent, but that differences can be overcome with the development of common strategies, albeit with a “new realism rather than too much sentimentality.” He expressed confidence that the German-American friendship could be strong and resilient if there is a continued investment in the relations between people. “Mistrust can only be replaced by trust if this trust is experienced – and that is best achieved if people meet each other rather than talking about each other.”

In a conversation with **Susan Glasser**, Staff Writer at *The New Yorker*, Mr. Gabriel concluded by saying that German politicians must “explain the importance of a united Europe and striving for a common voice with the U.S. because it is crucial for the future of our kids.” A transcript of Mr. Gabriel’s speech may be found [here](#).

Throughout the day, speakers brought up issues related to China. The final panel of the day convened a group of experts to talk about Western resilience in the face of the economic and technological race with China. **Julie Fisher**, the Deputy Assistant Secretary of State in the Bureau of European and Eurasian Affairs,

took to the stage with **Meg Lundsager**, Public Policy Fellow at the Wilson Center for Scholars and former U.S. Executive Director on the International Monetary Fund’s Executive Board; **Michael Schaefer**, former German Ambassador to China and Chairman of the Executive Board of the BMW Herbert Quandt Foundation; and **Dr. Kristin Shi-Kupfer**, Director of Politics, Society, and Media at the Mercator Institute for China Studies (MERICS). All of the speakers recognized that China has understood that it must be a part of the global system. Deputy Assistant Secretary Fisher began by saying that successive U.S. administrations have invited China to join the international community and embrace Western norms on issues such as free trade and human rights. Ambassador Schaefer said that China is an “important developing country undergoing a transformation” – but not yet a global power. The key question is: Where will China be in 10 years? Reflecting on where China is today and where it is going, Ms. Lundsager went so far as to say that the Chinese government has been “masterful” in focusing on Western values and norms that work well for China. But there are elements that have been ignored. Dr. Shi-Kupfer argued that Europe and the United States must be strategic in how they deal with China. China is not a competitor *or* a collaborator. It is both.

Deputy Assistant Secretary Fisher said that the United States should not be left alone to deal with the economic, technological, and geostrategic challenges posed by China. Ambassador Schaefer agreed but made the point that credibility is key – and that the West is losing credibility with the Chinese people because “we are not living up to our Western values.” One area where the United States and Europe can find common ground is in crafting a common policy vis-à-vis China.

After a day of discussions and insights on the transatlantic partnership – and areas where Europe and the United States can work together to address common challenges – more than 100 Young Leader alumni gathered at Bloomberg for a networking reception. In brief remarks, Ambassador Emerson underscored the indispensable nature of the transatlantic alliance.

