OBAMA-BIDEN TRANSITION PROJECT

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A NEW MAP FOR AMERICAN-GERMAN RELATIONS

MEMORANDUM TO THE NEW U.S. PRESIDENT

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TO: THE NEW U.S. PRESIDENT

FROM: THE AMERICAN INSTITUTE FOR CONTEMPORARY GERMAN STUDIES AT JOHNS HOPKINS UNIVERSITY (AICGS)

SUBJECT: A NEW MAP FOR AMERICAN-GERMAN RELATIONS

In January 2009, you—Mr. President—the United States, and the world will be facing numerous **challenges of enormous importance** ranging from the crisis in the global financial markets to the global climate crisis. As you prepare to take office, you will have to make choices about the priorities for your first term in the White House and decide the short-term and long-term goals for your administration. You will also have to decide which of the U.S.' **allies** will be able to help you in realizing these foreign policy goals you set.

This Memorandum will help you with these **monumental decisions**. It provides a map of the political and economic landscape in which relations with a key American ally—the **Federal Republic of Germany**—can be most effectively understood and managed.

You might ask: Why single out Germany? Why not deal with the European Union instead of individual members?

The reasons are manifold.

The European Union is a powerful group of states seeking to pool their resources. But it remains a work in progress, uneven in its economic and political consensus and in its ability to steer its capabilities. As long as Europe continues the process of defining itself, the U.S. will need to be in direct communication with the key national leaders in European capitals, such as Chancellor Angela Merkel in Berlin. Although the U.S.' focus is no longer on Europe as it was during the Cold War, the transatlantic partnership—and Germany—continues to play an important role.

As in all bilateral relations, there will not be synergy on all fronts. But by virtue of its economic weight, its political influence, and its critically important role in many highly volatile areas of interest to the U.S., you and the United States will be better served by **engaging Germany** in shaping the world you will confront in your first term. This Memorandum examines selected challenges you, Mr. President, will be facing and analyzes the possibilities of where you can use Germany as an **opportunity** or where Germany might present **pitfalls**. The Memorandum defines congruent policy areas and analyzes where conflicting interests already exist or might emerge.

Under your leadership, the American-German partnership must transcend the fraying thread of gratitude and rather reestablish itself as a **strategy to address the challenges of the world** with clear standards of success. Engaging pivotal allies such as Germany on the challenges at hand will be the key to your successful foreign policy, Mr. President.

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PRINCIPAL RECOMMENDATIONS

This Memorandum presents the opportunities and pitfalls of the American-German partnership in the twenty-first century, guiding the new administration with suggestions and advice. The issues selected reflect some of the most important challenges the new administration will face. They are also issues to which Germany will either be able to make an important contribution or where it might pursue other policies than the U.S. The recommendations put forth are based on AICGS' understanding of Germany's strengths and weaknesses in some issue areas of importance to the new president and to the United States in the coming years.

Now, facing the most dangerous economic situation of the past sixty years and encountering geopolitical uncertainties that involve nuclear powers such as Russia and unpredictable nations like Iran, the U.S. and Europe will have to work together in finding solutions. Germany, one of the most important linchpins in Europe, plays a pivotal role, not the least because a good relationship with Germany will translate into support among other EU member states.

The following outlined issues are not in order of importance and cannot be seen independently; security issues are intrinsically linked to energy issues and to policies addressing climate change, which, in turn, impact economic decisions. The challenges listed here—Russia, NATO and Afghanistan, the Middle East conflict, energy security and climate change, the global financial crisis—form a matrix for the new U.S. administration to navigate the American-German relationship effectively in the coming years, using opportunities and avoiding pitfalls. An effectively managed transatlantic partnership can lead to global solutions; lack of leadership will only allow things to deteriorate.

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THE RUSSIAN CHALLENGE AND ENERGY SECURITY

Russia defies the previously accepted logic that economic success is dependent upon political liberalization and that each will reinforce the other. Dealing with resurgent powers that have a different understanding of the rules of the international policy game poses a dilemma for the West. Exacerbating this in the case of Russia is the fact that half of the West—the European Union and its member states—depends on Russia for its energy resources. Russia profits from divisions among EU member states as well as between the U.S. and the EU. The key to addressing Russian strength is therefore to unite the United States and Europe. Germany is the key player to achieve this as it represents an important bridge between East and West. The United States should encourage Germany to use this moderator role to convey Western positions to Russia, on the one hand, as well as alleviate any Russian fears, on the other.

To address the Russian challenge, the U.S. should

- Form a high-level working group with Germany and other key European allies to consolidate the West's Russia policy;
- Craft a coordinated strategy on Russia to avoid a transatlantic rift, which would be exploited by Russia to the detriment of the United States and Europe;
- Support European efforts to coordinate its energy policy with an emphasis on renewable energy and alter native energy sources to decrease European dependence on Russia in the long-run;
- Encourage Germany to use its special relationship with Russia in a moderating role; and
- Engage Russia, together with Germany, more creatively on issues not currently dominating the discussion, such as arms control and proliferation issues, global health, and global warming.

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TRANSATLANTIC SECURITY STRATEGY AND NATO

The NATO mission in Afghanistan is very controversial among NATO's member states. Described as NATO's existential mission, recent months have highlighted the challenges at hand and the problems NATO is facing in the conflict. Against this backdrop, NATO needs to reorient itself and undergo a strategic debate to achieve common goals for an organization which is still steeped in the strategic reality of the early 1990s. Yet, the new administration faces reluctant European partners, many of which are cutting back on their defense budgets and, in the case of Germany, who face an electorate that does not support the mission in Afghanistan and which is deeply divided on NATO's usefulness. But for U.S. success in Afghanistan, NATO has become vital not only for its military purpose but the mission is also a sign to the international community that the U.S. has abandoned the path of unilateral decisions.

To succeed in Afghanistan and aid NATO's strategic debate, the U.S. should

- Use NATO's sixtieth anniversary in 2009 as an opportunity for an important speech early in the year on NATO's strategic orientation, convincing America's European allies, and especially Chancellor Merkel, to extend a strategic debate into their nations;
- Recognize Germany's engagement in Afghanistan since the start of the war and encourage Germany to strengthen and increase its military and non-military commitments; and
- Address the different understanding of threats and goals by developing a common strategic language between the U.S. and Europe.

THE MIDDLE EAST CONFLICTS

Despite receding from the headlines in recent months as new crises have taken over, the Middle East—including the war in Iraq—continues to be a challenge. U.S. national security depends on solving the Israeli-Palestinian conflict and finding a way of leaving behind a stable Iraq. These geopolitical conundrums are crucial for the rhetoric of Al-Qaeda; Iran—if nuclear—would become an existential threat to Israel. The Middle East is one of the policy areas in which America's European allies will be very helpful through their extensive ties in the region. Germany, especially, is understood as an honest broker by Israel and its neighbors and has extensive experience in negotiations in the region.

In dealing with the Middle East, the new president should

- Use Germany's role as honest broker in the Israeli-Palestinian Peace Process to achieve a two-state solu tion;
- Negotiate with Iran together with the EU-3 and Russia under a common strategy that includes sticks and carrots; and
- Involve Germany in non-proliferation efforts concerning state and non-state actors.

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ADDRESSING CLIMATE CHANGE

Addressing global warming and finding solutions to reducing the rate of climate change are truly existential problems. While these issues were one of the stumbling blocks to successful transatlantic relations under the current U.S. administration, they present great opportunities for the incoming administration not only to contribute to solving one of our most pressing problems, but also to gain international prestige. As we have seen, the U.S. suffers politically and economically when its global reputation declines and when its leadership is lacking. Given the enormous importance the international community attaches to a successful Copenhagen climate summit at the end of 2009 and the short timeframe to implement new national legislation, it would be useful for the U.S. to work with Germany, one of the leaders in environmental policy and technology, to increase its international prestige. The accumulated political capital can then be spent in addressing other foreign policy and economic problems.

To find solutions for mitigating climate change, the U.S. should

- Manage international expectations and clarify domestic limitations prior to an international climate treaty;
- Draw on Germany's long experience with environmental policies as an example for successes and failures of such policies in order to determine best practices and optimal solutions;
- Implement common environmental standards (i.e., in the automobile sector) with Europe; and
- Encourage solutions through transatlantic research collaboration.

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FINANCIAL CRISIS AND GLOBAL IMBALANCES

The financial crisis dealt a blow to the United States in 2008 and the repercussions of this global economic problem will continue to be felt around the world in 2009—and likely beyond. The United States will continue to need a sustainable economic stimulus. The new administration's political credibility depends not only on solving the financial crisis but on preventing a global depression. For such a tall order, the U.S. will require allies: the European Union and its members. The world's major economies will have to address the international architecture governing finance, with Germany being a natural partner for the U.S. Outside the financial markets transatlantic trade and investment is larger and more important than U.S. or EU trade with or investment in Asia or any other part of the world. Furthermore, the U.S. and Europe share economic values. The Transatlantic Economic Council (TEC) is an important institutional framework to achieve economic stimuli beyond multilateral trade negotiations. Removing non-tariff trade barriers and lowering transaction costs by introducing mutual recognition of standards and developing common new standards, as only two examples, will trigger investments in each other's economies and bring the sustainable growth stimulus that both markets so desperately need right now. An additional long-term growth stimulus can be reached by forming a Transatlantic Research Area. Increasing joint efforts for new insights into humanity's challenges is an endeavor that the United States and Europe should tackle together to achieve a considerable economic boost. Additionally, the United States and members of the euro-zone should come to an understanding to push Asian countries, and in particular China, to let their currencies float freely. Germany, as a member of the EU and the euro-zone, and as a strong proponent of a Transatlantic Research Area, is a key ally in these fields.

To achieve much needed economic stimuli, the new president should

- Use leverage of combined American-European economic weight to shape new economic world order;
- Invest political capital into the Transatlantic Economic Council and appoint a high-ranking member of the new administration to deal with its European counterpart;
- Further remove the remaining economic barriers for even deeper transatlantic economic cooperation;
- Come to an understanding with the members of the euro-zone to push Asian countries and in particular China to let their currencies float freely; and
- Launch a Transatlantic Research Area to boost research and development necessary for future economic growth and finding solutions for mankind's challenges.

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MAPPING AMERICAN-GERMAN RELATIONS IN THE TWENTY-FIRST CENTURY

Germany, the EU, and Beyond

The foreign and economic policy dilemmas faced by the world require a multinational approach led by the United States. The most important partner for the United States will be the European Union. The U.S. and the EU are not only the world's most powerful economic entities; they are also more closely aligned politically with each other when it comes to shared history, values, and ideas than other parts of the globe. Among the EU member states, the U.S. has arguably the most special relationship with Great Britain. Over the course of the Cold War, Germany, too, became one of the closest allies to the United States. Marred by differences during the first years of the twenty-first century, this relationship is today maturing into a true partnership in which disagreements might occur, but without an attendant breakdown of the relationship itself.

Germany plays an important role in Europe, as both a main player in the EU as well as a member of the eurozone—unlike Great Britain. American expectations of Europe working quickly through the challenges of the Lisbon Treaty will most likely not materialize in the near future. It thus becomes important to have partners in Europe who can connect the U.S. to the EU and facilitate important policy discussions and ultimately synchronized decisions. Germany is such a partner for the United States.

But Germany's importance goes beyond its influence in Europe. Over the past decades Germany has been one of the most important multilateral players both on the European stage and in other international organizations, most notably the United Nations, the World Bank, the International Monetary Fund, and the World Trade Organization. Germany understands multilateralism as no other country does. Germany is also the country to understand the value of soft power. In an age where those institutions need to be revitalized and adapted to new challenges, Germany is an invaluable partner to the U.S. Using American and German expertise to form synergistic solutions will help find answers to the pressing problems of our times.

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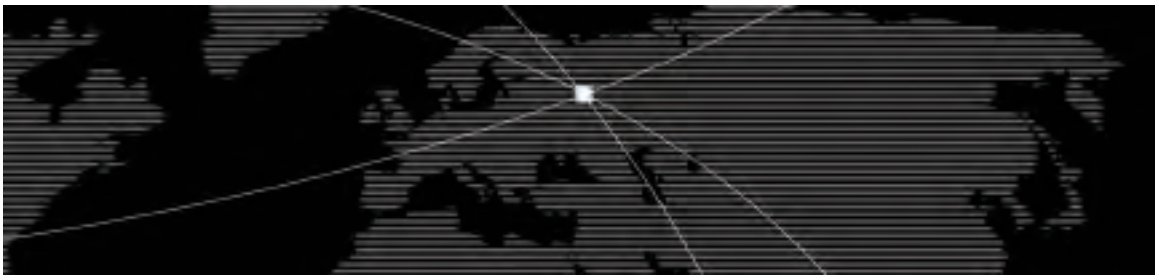

THE RUSSIAN CHALLENGE AND ENERGY SECURITY

In the realm of international affairs, crises often catapult relationships and issues to the top of the agenda at a moment's notice. The crisis between Russia and Georgia in early August 2008 has put the U.S.-Russian relationship squarely on top of the foreign policy agenda of the current administration and will dominate at least the beginning of the next administration. After a period in the 1990s, when Russia was preoccupied by domestic problems and too weak to continue the dominant role of the Soviet Union, then-President Vladimir Putin returned Russia to the world stage in the beginning of the twenty-first century and began re-exerting its influence on the former member states of the Soviet Union. Cyber-attacks against Estonia, disputes over gas deliveries to Ukraine, and the recent military confrontation in Georgia have strengthened fears of Russia, especially in eastern European states, whose relations with Russia have remained colored by Cold War experiences. In addition to the challenges posed by Russia's veto power in the UN Security Council, the U.S. needs Russian cooperation on a variety of challenges, such as Iran and North Korea. The U.S. cannot effectively manage this relationship without taking Europe into account. In this, Germany plays a vital role for several reasons.

Geographic and Strategic Considerations

Russia is physically and historically a part of Europe. Even though it stretches geographically far into Asia and its politics have reflected a rapprochement with China and other Asian states in recent years, most of Russia's foreign policy over the past centuries has been directed toward Europe, positively as well as negatively. Its shared history, especially with eastern European states during the Cold War, continues to influence politics today.

OPPORTUNITIES

Germany usually enjoys good relations with Russia. Close personal ties between the German Chancellor and Russian President have existed since the 1990s, starting with Helmut Kohl and Boris Yeltsin. While personal relations between Putin and Merkel have not been as close, economic ties between both nations ensure close cooperation, especially in the energy sector. Germany imports 46 percent of its gas and 36 percent of its oil needs from Russia;[1] the Russian market remains—despite concerns over transparency and the rule of law—of great interest to German businesses for investment. Germany also enjoys relatively good relations with its eastern neighbors, policy disputes vis-à-vis Russia notwithstanding. Germany can therefore be seen as a bridge between eastern and western European nations as well as between the West and Russia. Being one of the leading nations among European Union members as well as having good ties with Russia makes Germany a key player in this triangulated relationship.

PITFALLS

The Georgian-Russian problems symbolize the central question that has begun to smolder under the surface: The old assumption that economic liberalization and success and political liberalization are intrinsically linked, that one is impossible without the other, is challenged by countries such as Russia and China who—at least for the moment—are achieving economic success while retaining a more or less authoritarian government. In finding a way to manage its relationship with these countries, the West needs to cooperate in its policy decisions, not in a confrontational but rather in a strategic manner. In relations with Russia, it is important to avoid a new Cold War and to seek solutions with rather than against Russia. Yet, it is equally important to state Western interests

clearly. The U.S. and Germany have so far not seen eye-to-eye when it comes to Russia policy. Controversies on missile defense and NATO membership for Georgia and Ukraine have impaired Germany's relationship with some eastern European states and with the U.S. Germany does not always consider the security interests of eastern Europe. Deep differences between the U.S. and Germany over what constitute legitimate Russian and Western interests in the post-Soviet sphere continue to exist. Continued policy differences and a fundamental disagreement on engaging Russia or confronting it could thus impact the American-German relationship severely in the future.

European Energy Dependence and its Geo-Strategic Implications

Russia's international rise in the past decade has been fueled by its energy resources and petrodollars. Germany's dependence on Russian energy is predicted to rise, especially if Germany continues to pursue the nuclear phase-out the previous government decided upon and has to rely more on imported gas resources. This decision, however, might be called into question in 2009, should a coalition government be formed between the conservative Christian Democratic and the libertarian Free Democratic parties after the elections.

OPPORTUNITIES

The EU has begun to move toward a common energy policy, an approach which has to entail a diversification of European energy imports and should aim at reducing the rise of European dependency on energy imports. In this Germany will have to play a central role in not only driving the process but also in negotiating key access to other energy markets, such as Central Asia. Germany is the only EU member state that maintains diplomatic representations in all five former Soviet republics in Central Asia, which has enabled Germany to develop close ties over the past ten years, becoming the most important trading partner among EU members. While Russia's influence can of course not be underestimated in this region of the world, Germany's good ties to both the region and to Russia could enable the West to maintain effective relationships with the five Central Asian countries without antagonizing Russia. Apart from being important for European energy needs, the Central Asian countries are crucial to NATO's military success in Afghanistan as they border the country and provide geo-strategic access for the alliance's military forces, especially if the West's relationship with Russia deteriorates.

PITFALLS

The European Achilles' heel is energy. Energy dependence is often cited by analysts as the major constraint western European countries, and especially Germany, face in their relationship with Russia. This dependence is only increasing with time, especially if Germany persists in seeing Russia and its energy exports as a way to engage Russia. Germany does not have the same threat assessment as the U.S. when it comes to energy security and its dependency on Russia. Additionally, Europe is not united on the question of Russian energy and its consequences. Countries such as Poland and Ukraine, which receive almost 100 percent of their energy from Russia, advocate a strong, united Europe against Russia (especially after the conflict in Georgia), whereas countries such as Germany advocate engaging Russia through energy imports. The Baltic Sea Pipeline and former German Chancellor Schröder's involvement in the Russian gas company Gazprom have eastern European states concerned about Germany's motivations.

Yet Germany's dependence on Russian energy is more self-made than inevitable, as other energy sources are available. Turkey, as just one example, could play an increased role in alleviating Europe's energy dependence by diversifying its energy sources through a possible pipeline that bypasses Russia. However, European-Turkish relations have been rocky as Turkey's EU membership path has taken a backseat to eastern European states' accessions to the EU. German public support for Turkish accession to the EU has been very low. While the German government has always asserted its support for a Turkish membership path, the government has been content to let this path stretch out as long as possible—especially as the Chancellor's party, the Christian Democrats (CDU/CSU), opposes Turkish EU membership. Germany as well as France could therefore play a problematic role should the EU's energy policy include Turkey as one of the interlocutors for non-Russian energy resources.

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Recommendations for the President

■ Form a high-level working group with Germany and other key European allies to consolidate the West's Russia policy

Russia policy has previously been discussed institutionally only in a NATO framework. While this framework covers security aspects of the relationship it is not suited to discuss the political and economic dimensions. Furthermore, any discussions about Russia in a NATO framework would signal to Moscow that the West sees it as a security threat, further antagonizing the relationship. An EU-U.S. working group is therefore needed, in which both Germany and France could play a key role. As the EU might become a framework to integrate Ukraine and possibly Georgia, U.S.-European coordination on the EU-level becomes even more important.

■ Craft a coordinated strategy on Russia to avoid a transatlantic rift, which would be exploited by Russia to the detriment of the United States and Europe

In order to achieve cohesion on Russia policy, all potential ramifications for the U.S. and its allies have to be taken into account. The high-level working group will have to assess Russia policy as a whole, considering the consequences of policy for each ally. In this, burden-sharing and consensus on the possible consequences as well as on the strategy to deal with the consequences must be achieved. A coordinated strategy will have to take the different aspects of Europe (East and West), its energy dependency, solutions to said dependence, as well as regions and issues connected to Russia policy (Afghanistan, Iran, Central Asia) into account. The U.S. should also prepare a strategy to coordinate its policies with Germany in the case of disagreement on certain issues, so that a public fall-out such as such as that at the Bucharest summit can be avoided.

■ Support European efforts to coordinate its energy policy with an emphasis on renewable energy and alternative energy sources to decrease European dependence on Russia in the long-run

Russia policy cannot be decoupled from energy policy. European policy vis-à-vis Russia can be successful only if Europe's energy dependency on Russia is alleviated. The U.S. and Europe should coordinate on energy policy with a special emphasis on alternative energy sources in the long-run and a diversification of energy sources in the short-term.

■ Encourage Germany to use its special relationship with Russia in a moderating role

The West should take a tough stance where core American or European interests are involved, but it would not be prudent for the West to be antagonistic toward Moscow. Neither the U.S. nor the EU would be well served by an ideologically-based antagonism toward Russia, yet Russia has to be made aware that red lines still exist. Germany's close ties with Russia could be used to keep communication channels open and the U.S. should strongly encourage Germany to use its ties in a moderating role.

■ Engage Russia, together with Germany, more creatively on issues not currently dominating the discussion, such as arms control and proliferation issues, global health, and global warming

Issues other than energy and security are lower on the Western-Russia agenda but are no less important. Challenges such as global health and arms control could be one way of engaging Russia more creatively and on a less antagonistic level. Germany has always stressed the issues of arms control and non-proliferation as one of its most important foreign policy goals and would welcome such an American initiative.

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TRANSATLANTIC SECURITY STRATEGY AND NATO

Initially, support for the war in Afghanistan was high in the United States and among its European allies. However, the war in Iraq soon began to overshadow the war in Afghanistan. As resources and media attention focused on the Middle East, the initial success in Afghanistan gave way to increased instability and continued warfare as the Taliban have regained strength. Additionally, neighboring Pakistan is becoming more and more unstable and the Taliban and Al-Qaeda have extended their operations into Pakistan. NATO has experienced internal disputes about troop commitments by its member states, including disagreement about national caveats that limit some national contingents in NATO's International Security Assistance Force (ISAF) mission from participating in combat missions or engaging in certain regions of Afghanistan. Germany's history has made it more difficult for the country to participate in out-of-area missions and recent casualties have increased public misgivings about the country's involvement in NATO's mission in Afghanistan. However, the U.S. will be neither able nor willing to undertake the war in Afghanistan alone.

OPPORTUNITIES

Losing the war in Afghanistan could throw an entire region into peril and be a huge setback not only for the U.S. in its war on terror, but also for its allies in NATO. If Afghanistan fails, NATO will face considerable obstacles—giving NATO members a vested interest in succeeding in Afghanistan if only to not see the organization collapse. Afghanistan is geographically much closer to Europe than to the U.S. Afghanistan is already one of the largest drug producers globally and less governance and rule of law there would only increase the drug flow into Europe. Public opinion polls in 2007 have shown that 58 percent of the German public wants to be engaged with the U.S. internationally and that 63 percent support peacekeeping forces.[2] The new administration can harness this public support by changing the conversation about Afghanistan and NATO and stressing Europe's interest in a successful outcome. Tensions with Russia have also increased awareness in Europe (and especially in eastern European countries) that NATO is a valuable tool. If NATO's strategy is thoroughly understood and supported by the publics of its member states, then the organization will be better suited to win in Afghanistan and in a better position to adjust to future threats.

PITFALLS

Germany is entering an election year in 2009. The war in Afghanistan is very unpopular among the population and its link with German national interest is not well understood. If Germany is pressed for more commitment in Afghanistan (especially in terms of troops), it is unlikely that the current government will be able to comply. Even though the German troop mandate was renewed in October 2008 for another fourteen months by the German parliament (which included an increase in number of troops by one thousand), any public request for more German military engagement in 2009 might become an issue in the election campaign in Germany, which could undermine Germany's engagement in the long-run. Yet, the uneven engagement of NATO members in the NATO mission has already caused misgivings among member states and could continue to do so.

A strategic debate within NATO might highlight how divided its membership has become. Furthermore, the Georgia crisis has shown that NATO members are not united on admitting new member states, nor do they always agree on what constitutes an act of aggression—and the need to invoke collective defense—under Article 5. Does a cyber attack fall

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under Article 5? Limiting energy supplies? Regardless of the issues, a strategic discussion is needed not only in NATO but also among the European publics, whose consent and support is needed for NATO's structure, finances, and troops. The U.S. will have to manage this discussion carefully in order to avoid a direction which will undermine the transatlantic alliance.

Recommendations to the President

■ Use NATO's sixtieth anniversary in 2009 as an opportunity for an important speech early in the year on NATO's strategic orientation convincing America's European allies, and especially Chancellor Merkel, to extend a strategic debate into their nations

One of the first important international summits the new administration will face is NATO's sixtieth anniversary in April 2009 in Germany and France. In addition to the celebration, the president should use this anniversary to frame a more dynamic debate on NATO's strategic concept. Germany itself still needs to enter a strategic debate about its national interest. This will be more successful if such a debate is couched within the context of an international organization; a strategic debate within NATO would provide the perfect opportunity.

■ Recognize Germany's engagement in Afghanistan since the start of the war and encourage Germany to strengthen and increase its military and non-military commitments

Many NATO members have criticized Germany for engaging only on a limited scale in Afghanistan and for citing its national caveats. These restrictions are unlikely to be eased in an election year and pressing them publicly, as the current U.S. administration did, will most likely prevent any additional support. Therefore, the United States should manage its expectations accordingly. This does not preclude discussions about lifting national caveats on Germany's troops. Additionally, while burden-sharing means sharing all the burdens, Germany's expertise in economic and democratic development could be very valuable to the U.S. and the mission in Afghanistan. For example, Germany should be held to its commitments in police training. Additionally, developments in Pakistan have shown that this country might become the next arena in NATO's mission. Germany could use its expertise in civil society-building to help prevent a collapse of the government and a civil war in Pakistan, a country that has nuclear weapons. German and European experts in areas of rule of law, education, and civil institution building in the region would be of great value. Tying this discussion with Germany into the strategic debate in NATO and in the country itself will also make it easier for German politicians to win public support. Once a strategic aim and German national interest are clear, people will be more likely to understand Germany's involvement and support it.

■ Address the different understanding of threats and goals by developing a common strategic language between the U.S. and Europe

The U.S. president should press for a discussion not only on the strategic aims of NATO and the mission in Afghanistan but also on the strategic language used in the member countries to describe this mission. For example, counterinsurgency measures mean vastly different things in Germany than in the U.S. and a meaningful dialogue can take place only once a common understanding of the language is formed.

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THE MIDDLE EAST CONFLICTS

Before Russia was catapulted to the top of the foreign policy agenda in August 2008 and the financial crisis commanded the world's attention a month later, the war in Iraq and relations with Iran were the foci of the election campaign. Regardless of current news, the war in Iraq, relations with Iran, and the Israeli-Palestinian conflict remain not only some of the most important issues on the U.S. foreign policy agenda; they also present the most pitfalls. The Iraq War created one of the greatest fissures in the transatlantic partnership in the past decades, especially between Germany and the U.S. The situation in the Middle East is one of the most complex foreign policy issues, involving many players. While the American security umbrella makes the U.S. the most important player in the region, the Middle East also includes great opportunities for the new administration to work with Europe in general and Germany specifically.

Germany's Diplomatic Expertise and Reputation

Germany has a great deal of experience in employing soft power tools in international negotiations. Understanding the tools of negotiation is of increased importance in the Middle East and Germany, in its negotiations concerning prisoner exchanges, has shown that it has mastered these tools. Yet, over-reliance on soft power tools might prevent decisive international action should more increased pressure be needed, for example, in the case of Iran.

OPPORTUNITIES

Among the EU member states' efforts to engage the parties in the various conflicts in the Middle East, ranging from the Israeli-Palestinian dispute to the negotiations with Iran, Germany plays a special role. Germany's unique relationship with Israel makes Germany the second most important ally to Israel after the U.S. The Lebanon War in 2006, after which Israel asked Germany to be part of the European peace-keeping force monitoring the cease fire, is only the most recent example. Even though Israel and Germany have such a close relationship, Germany is generally viewed as a neutral party in the Middle East conflict and was involved in the Quartet (comprised of the EU, the UN, Russia, and the U.S.) that engaged in negotiations to solve the Israeli-Palestinian conflict. Germany, as the honest broker, can play a very different role from the United States—who is still perceived as biased, though a change in the administration might help its public perception. Additionally, recent polls in the Arab world have shown that the anti-Americanism prevalent among the Muslim publics should not be confused with anti-Westernism. Germany and France have scored highly among the public, underscoring Germany's trusted role in the region. The U.S. will benefit by both coordinating its Middle East policy with Europe and by having Germany represent the Western interests in the region.

PITFALLS

Relying only on soft power tools in the region might not be enough, especially when the West does not present a united front. The EU-3 (Great Britain, France, and Germany) have been engaged in negotiations with Iran, but progress has stalled and the West does not agree on the type of pressure that should be applied to Iran. The question of when to apply hard power vis-a-vis Iran has great potential to split the U.S. and Europe. Germany is especially reluctant to consider a military option. Considering Russia's and China's veto power, the UN Security Council will probably be unable to come to an agreement on sanctions on Iran. A preventive strike, taken by Israel with tacit endorsement by the U.S., might then become more likely. The conundrum of Iran requires that Europe be part of the solution and common strategy. This strategy will need to set a

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strategic goal and a clear understanding and support of the mechanisms involved in bringing about these goals, including negotiations and enforcement tools.

German Economic Ties to the Middle East

Germany has extensive ties in the Middle East. As the most important trading partner for the region, Germany's strategic position is more of an economic nature than of political origin.

OPPORTUNITIES

Germany's strength in the region is its economic ties as well as its willingness to aid countries financially and with economic expertise. Playing into Germany's strength could allow the U.S. to share its burdens in the Middle East. Germany's support of a fledgling Palestinian state financially and economically would allow the U.S. to devote its resources to the situations in Iraq and Afghanistan and allow Germany to utilize its strengths. Economic assistance from Germany for the Palestinians would also be useful in the U.S. war against terrorism, as the Palestinian cause is still a formidable recruitment tool for terrorist groups such as Al-Qaeda. As with most European states, Germany highly favors democracy promotion which, combined with economic aid, is an attractive burden-sharing for the U.S. and Germany. Tying any policy toward the Middle East to a UN mandate would further help, as Germany has always stressed its willingness to work within UN parameters as evidenced by its vital recent role in the negotiations over prisoner exchanges between Israel and Hezbollah.

PITFALLS

Iran could present the largest pitfall to transatlantic relations, conceivably causing a clash between the U.S. and Germany. Traditionally, Germany has strong economic ties with Iran and, while the German government has pressured German businesses to restrict trade and ties with Iran, the current U.S. administration was dissatisfied with the extent to which Germany and other European countries have applied pressure. While strong ties with a region can allow a country like Germany to engage in negotiations and display some leverage, it also makes it more difficult for the U.S. and Europe to agree on tough measures such as sanctions without hurting domestic interests. Thus, the issue of Iran will require substantial discussion between the U.S. and Germany (as part of the EU-3).

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Recommendations for the President

■ Use Germany's role as honest broker in the Israeli-Palestinian Peace Process to achieve a two-state solution

Germany is perceived as an honest broker in the region and public opinion polls rate it very positively. The United States, however, is seen as Israel's main ally and its reputation is tied to its success or failure in Iraq. The U.S. should therefore use Germany's reputation as honest broker in the Israeli-Palestinian Peace Process to achieve a two-state-solution.

■ Negotiate with Iran together with the EU-3 and Russia under a common strategy that includes sticks and carrots

Even though Europe is geographically closer to the Middle East, Europeans feel rather removed from the problems, which they mostly associate with the Iraq War. Yet, to give only one example, German troops in Lebanon are directly affected by Iran's interests in the country. Additionally, Iran touches on the very important issue of nuclear proliferation. Germany has long been interested in issues of weapon proliferation; couching the issue in such terms will help the U.S. to coordinate its policies with Germany. The U.S. should negotiate with Iran together with the EU-3 and Russia under a common strategy, which should not preclude a deepening of sanctions if necessary.

■ Involve Germany in non-proliferation efforts concerning state and non-state actors

The issue of Iran touches directly on the Non-Proliferation Treaty (NPT). Germany, as a non-nuclear power, is especially concerned with the spread of nuclear capabilities to more states. This coincides with American concern about weapons of mass distruction (WMD) falling into the hands of terrorists; such mutual concern presents an opportunity for partnership to develop a new nuclear architecture for collecting and securing nuclear materials.

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ADDRESSING CLIMATE CHANGE

Foreign policy issues are not only solely security-related. The globalized world has made economic ties between countries part and parcel of foreign policy. Even domestic economic decisions or problems can have foreign policy ramifications, as the recent economic downturn in connection with the U.S. credit crisis has shown. One of the most obvious connections between foreign and economic policy is the problem of climate change. Aside from the fall-out over the Iraq War, this issue has also been one of the most sensitive problems between the U.S. and its European allies. Germany has been one of the leading voices in advocating solutions to prevent climate change and has been extremely critical of the current U.S. administration's lack of domestic policies and international commitments. As recent Pew polls[3] have shown, the U.S.' refusal to seriously address global climate change is one of the key drivers of anti-Americanism around the world. Yet, sometimes inheriting a rather bleak picture from the previous administration enables a new president to quickly achieve the successes vital for the first months. The post-Kyoto negotiations in Copenhagen in 2009 present an excellent opportunity for the new U.S. administration not only to address a serious global problem but also to increase good-will around the world, especially with European states. Key for making Copenhagen a success will be keeping the Europeans, led by the Germans, from setting the bar so high that the new U.S. president will be faced with the choice of going along with the international consensus, but with serious doubt whether Congress will ratify such a treaty, or sitting it out and not participating in the post-Kyoto agreement, which would stymie any progress and severely harm the U.S.' reputation.

Germany's Reputation

While the U.S. will have to work with all of its European allies to prevent the earth-changing consequences of climate change, Germany plays a unique role in this approach as it is the leading nation in addressing climate change ideologically and technologically.

OPPORTUNITIES

The German Green Party has established itself in the German political system, allowing environmental concerns to be included firmly on the national agenda, and public opinion polls routinely list environmental concerns as among the top ten issues of importance to the population. Additionally, Germany has become a leading nation in developing energy efficient technologies and technologies needed for alternative energies. Addressing climate change will require not only immediate action; it will require tough choices for the United States domestically. Traditionally, the U.S. has been wary of international agreements that impose binding targets on the country. The first Kyoto Protocol was not only rejected by President Bush, but also by Congress which refused to ratify it after President Bill Clinton signed the agreement. While the new administration will promise bold action addressing climate change, it must also work with Congress, which might prolong the delay before any meaningful domestic legislation reducing CO_2 emissions is passed. Still, the American public is increasingly recognizing the threat of climate change and the need for solutions. U.S. cooperation with Germany can help convince the world that a delay in U.S. domestic action does not mean no action. The world has very high hopes that the new president will reverse the U.S. climate policy of the past eight years; it is imperative to avoid these expectations turning into dismay and increasing anti-Americanism by any delay. A public speech stressing cooperation with Europe would enhance U.S. prestige and could, for example, be held during the president's visit to Europe on the occasion of NATO's sixtieth anniversary summit, perhaps at the United Nations University

Institute for Environment and Human Security in Bonn. Not only is it important for the new administration to solve the critical challenge of global warming, but it would translate into very tangible benefits resulting in an improved U.S. standing in the world.

PITFALLS

Expectations around the world are extremely high that the new administration will reverse the U.S. stance on climate policy and that a meaningful post-Kyoto international treaty will be signed. As it constitutes itself, the new administration will have to engage in international negotiations in which the U.S. has been sidelined for the last eight years. Additionally, Congress plays a decisive role in ratifying any international treaty. The U.S. might therefore move slower than the international community, creating another wave of anti-Americanism, which has already been fueled in the past by American reluctance to engage in climate negotiations. As mentioned above, partnering with an internationally respected partner on this issue, like Germany, could be an opportunity to prevent a new wave of anti-Americanism. Yet, this cannot be used only as a fig leaf; real results have to be achieved. The new U.S. administration cannot decrease anti-Americanism if it uses this issue solely as a publicity stunt.

Germany's Expertise, Transatlantic Standards, and Policy-Setting

Aside from Germany's reputation as a leader in combating climate change, the country also leads the world in environmental expertise, in technological aspects of green solutions, and in environmental policy. This could be useful in transatlantic as well as international cooperation.

OPPORTUNITIES

Germany began long ago to subsidize alternative energy sources and lead in the production of solar cells. German companies have developed many energy-efficient technologies, from which the U.S. and the world could benefit in their fight against global warming. As the U.S. and Europe have a long tradition of economic cooperation, similar cooperation on energy-efficient technology and a transfer of expertise on alternative energy sources between the United States and Germany could add to good-will between the U.S. and Germany and have very tangible results in improving technological measures countering global warming. Additionally, Germany has had decades of experience implementing policies designed to address environmental concerns and climate change. An analysis of the German environmental tax, implemented since 1999, can be very helpful for this U.S. administration. While proponents argue that Germany's tax is an example of an economically powerful nation levying a tax on its industries without dire economic consequences, critics point to the many exceptions for energy intensive industries to this tax. Both arguments, however, offer lessons to the U.S. Germany, with its long policy history of addressing global warming, can be used as an example for effective as well as ineffective policies.

Climate change is truly a global problem. The U.S. and Germany cannot manage the problem alone; both will have to cooperate to persuade other nations to sign a post-Kyoto agreement. Together, they can reach a critical mass, especially in setting energy efficiency standards. Together, General Electric and Siemens are two of the largest manufacturers of energy production facilities and—if they can agree with some of the Japanese companies on energy efficiency standards—these standards will have a better chance of being implemented. Additionally, Germany could become the United States' chief ally in Europe to address one of the key issues in policies combating climate change: How to prevent companies from moving their production to countries which have not signed on to an international treaty curbing emissions (so-called leaking). This is especially concerning in difficult economic times, in which employment becomes not only vital for countries but also for the politicians seeking reelection.

PITFALLS

Over the past decades, climate policy has been pitted against economic policy. As the world encounters an economic downturn, states will be less inclined to adopt any international agreement that is seen to increase costs and to threaten jobs. Countries might become more inclined to let national interests override international cooperation. Isolationist tendencies might grow in Germany, Europe, and the United States as well as in developing countries that are needed for a solution. If the U.S. and Europe do not agree on standards and policies and technological

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cooperation, it will be even more difficult to reach out to China and India, putting any post-Kyoto climate agreement in peril.

Recommendations for the President

■ Manage international expectations and clarify domestic limitations prior to an international climate treaty

Expectations are high around the globe that the new U.S. president will sign an international climate treaty in Copenhagen at the end of 2009. Yet, the U.S. president will find himself in a bind between those expectations and domestic limitations, especially if reduction targets for emissions are very ambitious. Either the president signs an ambitious international treaty with the full knowledge that Congress will not ratify it or the U.S. withdraws from international negotiations. Both options would prevent a successful treaty. Germany is the nation leading efforts to implement such ambitious goals in Copenhagen. The new U.S. president would therefore be advised to seek discussions with Germany early in 2009 to achieve congruent policy goals, tempering expectations and avoiding a failure of the climate summit in Copenhagen.

■ Draw on Germany's long experience with environmental policies as an example for successes and failures of such policies in order to determine best practices and optimal solutions

Germany has decades of experience in implementing environmental policies. As time is pressing, studying Europe and especially Germany for successes and problems with such policies will save the U.S. time in achieving sustainable and effective policies aimed at curbing climate change. Additionally, technology exchanges between the U.S. and Germany can complement these policies and allow for knowledge dissemination.

■ Implement common environmental standards (i.e., in the automobile sector) with Europe

Even with credibility gains through cooperating with Germany, the U.S. will still be unable to dictate the terms of energy efficiency standards and emissions standards. Likewise, Germany and Europe lack the international clout to dictate the terms. Together, the transatlantic partnership has the political clout to make historical changes in achieving energy efficiency standards and reducing emission of gases causing climate change.

■ Encourage solutions through transatlantic research collaboration

Climate change is a global problem and will need global solutions. While the quest for national competitive advantages in providing technologies is understandable, national competition in the early stages of research into potential new technologies might hurt the world's ability to bring about the fast solutions needed. International cooperation is a necessity. As one of the leaders in environmental technology, Germany could spearhead such collaboration. Chancellor Merkel has already introduced the idea of a Transatlantic Research Area, which could provide the necessary framework.

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THE FINANCIAL CRISIS AND GLOBAL IMBALANCES

Loose monetary policy and low savings rates led to the real estate and credit crisis that shocked the world economy in 2008. As of October 2008, governments and central banks across the world are trying to stabilize financial markets, revive the interbanking market, and trying desperately to come up with programs to intervene into markets and limit the financial market crisis' effect on the real economy. Nevertheless, we will likely see further economic decline across the globe in 2009. A return to a stable growth path is needed with sound economic policy and an institutional and regulatory framework to foster confidence in the economy and to allow markets and their players to create welfare for society as a whole. In short, what is needed is a world economic order for the twenty-first century.

The institutional framework of the world economy has to adapt to a world in which many banks are "too big to fail" and where the total asset amounts of a single multi-national cooperation can be larger than the GDP of some nations. At the same time it is imperative that such a new economic order prevents us from slipping into a new mercantilist era which will destroy much of the welfare that was created in the last decades and will only benefit those countries with managed economies and a lack of individual as well as entrepreneurial liberty. The institutions such as the IMF that were created to successfully shape the world economic order after World War II have to be enabled to cope with the new challenges in the twenty-first century. It is up to the two largest economies—the U.S. and the EU—that combine individual with entrepreneurial liberty and which together create 60 percent of the global GDP to use this leverage and to shape this new economic world order.

The U.S.-EU economic relationship is one of the strongest and most interlinked in the world. While the latter became evident again with the rapid spread of the U.S. housing crisis affecting the EU economies, this fact is often either ignored or marred by attention-grabbing headlines on trade disputes that in reality make up only 2 percent of our trade volume.[4]

The U.S. and EU represent 33 percent of global trade in goods and 42 percent of global trade in services (2006).[5] In fact, trade itself is not the most important pillar of transatlantic economic relations; it is foreign direct investment (FDI), the subsidiaries and factories European and American companies own in each other's economies. American FDI in Europe is three times higher than in Asia (2006). European FDI in the People's Republic of China is less than German FDI in the state of New Jersey.[6]

Even though transatlantic economic integration has progressed immensely, barriers still exist. These mostly non-tariff barriers are typically differing regulations and standards and these barriers carry a real cost: An OECD report in 2005 concluded that structural reforms in the EU and the U.S. to reduce competition-restraining regulations, remaining tariff barriers, and FDI restrictions could lead to permanent gains in GDP in Europe and the U.S. of up to 3 to 3.5 percent.[7] Thus, the removal of tariffs and non-tariff barriers, together with enhanced economic and regulatory cooperation between the U.S. and the EU, could be the catalyst for a significant boost in economic growth and improve employment, investment, and innovation across the transatlantic marketplace. To give just one example, the Open Skies Agreement alone will generate about $6 billion for both the U.S. and EU economies, which is the same as the expected gain from a success of the Doha Round.[8] Such economic boosts are needed in times when confidence in economic and political leadership is low and households suffer from shrinking real

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incomes and unemployment.

Transatlantic Economic Council (TEC) and Transatlantic Research Area

The Transatlantic Economic Council (TEC) was established under the German EU Presidency in 2007. While the harmonization of accounting standards has been touted as one of the TEC's success stories, the TEC has not yet achieved its full potential. In fact, the TEC could be the needed institutional framework for eliminating at least some of the regulatory and standard barriers, resulting not only in an economic stimulus but also in a joint U.S.-EU approach to actively shape the global economic map. Germany is the playmaker in the TEC, but whether the TEC will have an impact beyond 2009 lies now in the hands of the new U.S. administration.

OPPORTUNITIES

The TEC would be the ideal institution to address the issue of standard-setting, one of the main non-tariff barriers in transatlantic economic relations. With its rising economic development, China has the potential to become the de-facto standard-setting country, a worry among Western businesses. Harmonizing standards between the U.S. and the EU is the best option, but is politically unrealistic. The approach the EU used among its member states in 1979 in the Crème de Cassis ruling, namely, mutual recognition of standards, seems more feasible.[9] Most importantly, new standards must be jointly developed so that further distortions for trade and investment are avoided.

Germany and the U.S. should concentrate their standard-setting negotiations on industries or sectors where they can be most effective, for example in the automobile industry or airline industry. Mutual recognition of safety and emission standards would not only lower costs of automobiles, they would also add clout vis-à-vis the rest of the world to any international agreement on climate change. Any agreement should include common standards for new technologies, creating a basis for future transatlantic trade which is unhindered by different standards.

In order to insulate negotiations from lobbying pressures of interest groups, the TEC can be used to bundle issues, pressuring governments to give up certain positions in exchange for compromises in other areas. This would be especially effective if non-governmental groups such as the US Chamber of Commerce, BusinessEurope, and others could be integrated.

Another boost for sustainable transatlantic economic growth, stemming from an initiative of Chancellor Merkel, could be a Transatlantic Research Area. Scientific progress and technological advances are especially necessary in the American and European efforts to address global climate change and increase energy efficiency. The search for new energy sources and higher efficiency should be addressed in international cooperation and not as a prerogative focusing solely on national success. A Transatlantic Research Area could thus boost efforts and pool resources to find technological solutions in an international framework while adding value to the American and European economies.

PITFALLS

So far the TEC has lingered as yet another transatlantic organization with little meaningful achievements. Creating frameworks which do not have political backing on either side of the Atlantic will only add to the organizational burden rather then solving the problems at hand. Germany's initiation of the TEC is not the same as firm commitment. During the German federal election campaign in 2009, which will most likely be dominated by the economic downturn, the Grand Coalition will be hesitant to increase global cooperation if the electorate feels that globalization and the Unites States are to be blamed for its economic woes. Additionally, interest groups might use the election year to pressure the German government to reject any compromises in the TEC negotiations with the U.S. Election years and economic downturns can be very hard times to politically support freer trade and investment in any country—even though both the U.S. and Germany, in this case, would benefit from it. An agreement on mutual recognition of standards would also have to include an enforcement mechanism that bridges the rather judicial U.S. and the more political EU approach in enforcing standards.

Should the U.S. and/or the EU turn isolationist, a new Transatlantic Research Area might also be viewed as politically unfeasible. National research might be

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viewed as the ideal tool to increase a nation's competitiveness, yet this assumption is short-sighted. Research limited to national parties increases costs, lowers the interests of top researchers to take part, can hurt economic growth, and can stunt solutions to global problems.

Global Imbalances

Once the short-term impact of the current crisis within capital markets is dealt with, some of the more long-term causes have to be addressed. The large U.S. current account deficit, in particular with Asia, the de-facto pegging of many Asian currencies to the dollar, and the different monetary approaches between the Federal Reserve Bank and the European Central Bank have led to a severe appreciation of the euro against the dollar while, at the same time, the exchange rate of the yuan against the euro stayed stable and appreciated slightly toward the dollar.

OPPORTUNITIES

The more or less coordinated approach between the U.S. and the members of the euro-zone in dealing with the impact of the financial crisis has proven the reliability of European allies in tough times, who share similar views about the creation of welfare and the economy. In this view the current financial crisis could also represent an opportunity. Leaders on both sides of the Atlantic agree that the regulatory framework for capital markets and the banking industry needs to be changed. Such a re-regulation should be coordinated within the TEC framework in order to allow both sides to play according to the same rules and to avoid future crises that spread across regulatory boundaries anyhow.

In the context of a broader international coordination package, the U.S. and EU should work together with respect to pressing China for a free floating yuan in order to decrease the existing trade imbalance. The U.S. and EU should each have a strategic dialogue with China, but these conversations should not be isolated from one another. Negotiations should also include the need for far more fiscal coordination within the EU and with the U.S. as well as with countries that have a huge current account surplus, such as China. Germany, as the most powerful member of the euro-zone, could play a key role in such negotiations.

PITFALLS

The current capital crisis is widely seen as caused by the U.S., its unregulated markets, and the overconsumption of its consumers. In particular, in Germany and its election campaign, this view might be exploited by political opportunists in order to distract from Germany's homemade problems. The financial crisis could easily then lead to increased isolationist tendencies in international relations, including in Europe. Yet, the EU will also be hurt if the financial system is not fixed. Additionally, the current crisis might cause the U.S. and the EU to enter into a more competitive relationship by seeking separate agreements with China to gain a competitive advantage over the other.

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Recommendations to the President

■ Use leverage of combined American-European economic weight to shape new economic world order

The recent financial crisis and the economic downturn have shown that the current economic world order and existing international institutions are no longer adequate to solve the economic challenges of the twenty-first century. The United States and the EU together create 60 percent of the global GDP, which represents a considerable amount of economic leverage. The United States and Germany should therefore coordinate their policies to reform the Bretton Woods system and international organizations such as the IMF to create a better international financial framework able to avoid the mistakes of the past.

■ Invest political capital into the Transatlantic Economic Council and appoint a high-ranking member of the new administration to deal with its European counterpart

The TEC could be an important tool for the U.S. and the EU to set economic incentives by removing trade and investment barriers. As the United States is slated to appoint a new negotiator to the TEC first, a powerful member of the new administration should be selected as a sign that the new administration takes the TEC seriously and is committed to working with Europe on these issues.

■ Further remove the remaining economic barriers for even deeper transatlantic economic cooperation

The TEC should be selected as the main institutional framework in pushing for a decrease of transatlantic economic barriers and to create a sustainable growth stimulus. The economy is in need of a stimulus on both sides of the Atlantic, and these steps could provide important and tangible improvements. Germany, as the initiator of TEC, will be a valuable partner to support these efforts on the EU's side.

■ Come to an understanding with the members of the euro-zone to push Asian countries and in particular China to let their currencies float freely

While the current circumstances can be seductive to further isolationist tendencies, they cannot be the solutions and would in fact hurt the world economy even more. Germany, dependent on strong exports, has a particular interest in fair and transparent currency systems, which are not detrimental to the euro. Thus, working with the members of the euro-zone, in pressuring China to let its currency float freely, would be in the United States'—as well as Germany's and Europe's—interest.

■ Launch a Transatlantic Research Area to boost research and development necessary for future economic growth and finding solutions for mankind's challenges

International research cooperation is needed to provide sustainable economic stimuli. The Transatlantic Research Area could be an important step in further facilitating research between these two major knowledge-economies.

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CONCLUSION

The global economic and foreign policy problems you, Mr. President, and your administration will face in January 2009 are enormous. Your administration cannot address these challenges unilaterally; successfully managing relations with your key allies is crucial to achieve your short- and long-term foreign policy and economic goals. This Memorandum lays out how you and the United States can most effectively use one of these key allies, the Federal Republic of Germany, to find solutions to global problems. Among America's European allies, Germany plays a key role as a member of the European Union, the euro-zone, and NATO. This Memorandum maps the issues and outlines the opportunities and pitfalls that Germany presents, helping you, Mr. President, in achieving your goals and avoiding a transatlantic rift which is injurious to both sides of the Atlantic. Mr. President, you will face the outlined challenges as well as many still unknown obstacles. Engaging your most important allies, among them Germany, will greatly increase your ability to address these issues successfully and this Memorandum will assist you in engaging Germany in ways most useful for you and the United States.

NOTES

1 Energy Information Administration, Country Analysis Briefs, Germany, December 2006, <http://www.eia.doe.gov/emeu/cabs/Germany/Background.html> (10 October 2008.)

2 The German Marshall Fund of the United States, Transatlantic Trends, 2007.

3 Pew Global Attitudes Project, *Global Unease With Major World Powers*, June 2007, <http://pewglobal.org/reports/display.php?ReportID=256>

4 European Commission, Bilateral Trade Relations: USA, <http://ec.europa.eu/trade/issues/bilateral/countries/usa/index_en.htm> (10 September 2008).

5 Ibid.

6 Daniel S. Hamilton, *Creating the Transatlantic Marketplace*, AICGS Web Essay, May 2008.

7 Ibid.

8 Ibid.

9 Crème de Cassis is a blackcurrant liqueur that was at the center of controversy in a 1979 case at the European Court of Justice. As a result of the ruling, the principle of mutual recognition of national standards became an important component in the common market of the European Union. While not fully disregarding national differences in standards and regulations, the court established a requirement for "urgent needs" in order for such differences to be permitted. This case set an important precedent to eliminate non-tariff barriers to trade in regulatory standards of the EU's free movement of goods and services.

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