

The German Times

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Lousy levies

The specter of a new Cold War between the US and China is lurking

BY THEO SOMMER

Trade wars are good and easy to win, US President Donald Trump boasted in one of his toxic tweets. He confirmed his message last month: "We will soon be winning big on Trade and everyone knows that, including China!"

Yet in reality, the grand deal with the People's Republic, which has been Trump's target for more than two years, has turned out to be ever-more elusive. The tariff dispute has tipped over into a full-blown trade war, a currency war and an incipient Cold War between the incumbent superpower United States and the rising superpower China. Their rivalry may well dominate global geopolitics in the next three decades.

In his first foreign policy speech, back in 2016, presidential candidate Trump bragged: "We have the leverage. We have the power over China, economic power, and people don't understand it. And with that economic power we can rein [them] in and we can get them to do what they have to do." Reducing the huge US trade deficit with China – which actually grew from \$375 billion in 2017 to \$440 billion in 2018 – was his main concern. To bring it down, he thought – vainly, as it turned out – imposing punitive tariffs was the most efficient lever. A barrage of tariff increases has become the hallmark of his administration.

He started in January 2018 by raising levies on washing machines and solar panels. In March, he slapped 25 percent on steel and 10 percent on aluminum. In July, a 25-percent tariff was imposed on Chinese import goods worth \$50 billion; in September, the US announced a 10-percent tariff on \$200 billion worth of goods, increasing to 25 percent at the end of the year. This hike was postponed temporarily to give the negotiators a chance to reach agreement but put into effect in May 2019, with Washington claiming that China had reneged on deals already agreed upon. In July, Trump tweeted that "China is letting us down in that they have not been buying the agricultural products from our great Farmers that they said they would." In August, he announced on Twitter that an additional 10-percent tariff would be levied on the "remaining \$300 billion of goods." Some of them were postponed in order to avoid harming American

Christmas shoppers, but about half were imposed on Sept. 1. Beginning on Oct. 15, tariffs on \$250 billion worth of Chinese goods will be ratcheted up from 25 to 30 percent, and from 10 percent to 15 percent on the remaining \$300 billion by Dec. 1. As Beijing has imposed retaliatory tariffs on US imports each time and 12 rounds of negotiations have not brought a solution any closer, China and the US are now embroiled in a full-fledged trade war. Neither Trump nor Xi Jinping is showing signs of backing down.

Trump is still tilting more toward escalation than accommodation. Last month he had China designated a "currency manipulator." One Friday in August, he called Xi Jinping an "enemy," and the following Monday praised him again as a "great leader" and a "tough guy." He regretted that he had not raised tariffs even higher. ("Our country has been losing HUNDREDS OF BILLIONS OF DOLLARS a year to China, with no end in sight.") Defiantly, Trump told

reporters: "If they don't want to trade with us anymore that would be fine with me." He is confident of winning the trade hostilities. And not only did he order Amazon, FedEx, UPS and the US Postal Service to "search for and refuse" deliveries of fentanyl, a murderous opioid pain killer that caused the death of 30,000 Americans last year, his administration also banned the import of Huawei products (worth \$11 billion in 2018). The ban will enter into force after a few months.

But China's strongman Xi Jinping is not buckling. The damage done so far to the Chinese economy is less than feared; the country's exports are up and the weakened yuan is cushioning the effect of the tariff increase. Beijing's line remains unchanged: US tariff hikes will be answered by Chinese retaliatory raises. Quoting President Xi, the *People's Daily* underscored: "China's will to defend the core interest of the country and the fundamental interest of the people is indestructible." It will "fight to the end." Obviously, the regime expects Trump, who is gearing up for next year's presidential election, to run increasingly into domestic resistance once the heightened tariffs kick in and China's refusal to buy US corn, pork, beef and soybeans will hit his farming voters in the Midwest particularly hard. If push comes to shove, a ban on the export of rare earths to the US or an accelerated drawing down of China's \$1.1 trillion US treasury holdings could dramatically boost the impact of China's reprisals. Just a few weeks before the 70th

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Loaded language

The AfD's populist rhetoric attracts those who are traumatized by the past and scared of the future

BY PETER H. KOEPP

In the past several years, Görlitz, a picturesque town on Germany's eastern border with Poland, has functioned as the backdrop to several major Hollywood films, including *Around the World in 80 Days* starring Jackie Chan and Arnold Schwarzenegger, *The Reader* with Kate Winslet and David Kross and *The Grand Budapest Hotel* featuring Tilda Swinton and Bill Murray. However, the town's elegant façades conceal a weak economy and scores of elderly and discontented individuals who have lost faith in the future. In fact, so many "Görlitwood" residents reject the EU and the political establishment in their nation's capital that more than two-thirds of them voted for the far-right AfD party in elections held this past Sept. 1.

Nearly a million people in the states of Brandenburg and Saxony cast their ballots for the party called Alternative for Germany (AfD); that's more than a quarter of all voters there. One out of four rallied behind politicians – both men and women – who have shocked the public with right-wing extremist, anti-Semitic, racist or otherwise inhuman remarks. Is Germany on a path back to its past?

In short, no. In the more heavily populated west, the AfD attracts far less support. Even in the AfD-friendly eastern states, nearly three-quarters of the electorate backed other parties. The AfD won neither Saxony nor Brandenburg. Plus, no other party wants anything to do with them.

The AfD had hoped and even expected to become the top vote-getter in these elections, which could have set the stage for Angela Merkel's ouster. "Complete the revolution" was an AfD poster slogan during the campaign. To the outrage of many, the party claimed that the Peaceful Revolution, which had led to the fall of the Berlin Wall, had been betrayed and that conditions today resembled those of the communist past.

Luckily, the worst has been avoided, at least for the moment. Brandenburg will once again have an SPD minister president and Saxony one from the CDU. In Berlin, Merkel will remain chancellor, probably to the end of her term – if not even longer. The CDU might need her, for lack of any charismatic successors.

But what about the claim that the revolution remains incomplete? And why do so many former

East Germans believe they are being shortchanged, ignored and treated like second-class citizens?

The *New York Times* described a "lingering inequality between East and West three decades after the Berlin Wall fell." The *Washington Post* wrote that the east of Germany "still suffers from higher unemployment and lower wages and pensions than the West, about 30 years after the country's reunification." But the truth is more complex.

Saxony's unemployment rate is 5.7 percent, and Brandenburg's is 5.6 percent, while the national average is 5.1 percent. In the western state of North Rhine-Westphalia, the rate is 6.7 percent, with peak levels of 13.4 percent in Gelsenkirchen and 10.4 percent in Dortmund. However, average wages in the east continue to lag behind those in the west. Last year, people in Saxony and Brandenburg earned 20 percent less than the German average. There are many reasons for these discrepancies.

One-third of eastern Germany's full-time employees work in the low-wage sector – that's twice as much as in the west. More eastern German women work than do their western counterparts. These women earn on average 20 percent less than men. Eastern Germany has few big corporations and many rural, structurally weak and depopulated regions.

On the other hand, wherever corporate headquarters are, rents are rising and so are other costs of living. Pensions, meanwhile, are based on wages – including those earned during the Communist days of old. Meanwhile, pensions in the east have risen to 96 percent of those in the west. A complex compensation scheme has now been put in place to balance pension levels by 2024.

Low income does not automatically predispose people toward the AfD. The fact that most welfare recipients in Saxony live in Leipzig – where the party scored well below its average for the state – illustrates this simple insight. There are more important reasons for the rejection of "the system" and "the establishment" than empty wallets. One such reason lies in the past, another in the present.

Even 30 years after the fall of the Berlin Wall and the subsequent incorporation of East Germany in the Federal Republic, many eastern Germans still feel betrayed and sold out. Their industries, which were no longer competitive, were handed over as gifts to west-based corporations; barely 10 percent

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Done with walls

Recollections of the night 30 years ago when the city became one again, in *The Berlin Times* – a paper within the paper



FREEDOM AND RESPONSIBILITY

World conflicts continue to grow in both number and ferocity. Politics, economics and society are changing at a rapid pace. In this uncertain environment, there are two democratic principles to which we must remain steadfast: freedom and responsibility.

The gradual shift of power, influence and wealth from the Atlantic to the Pacific is having a growing impact on Europe. Economic dependence on China, the ASEAN states and the entire Indo-Pacific region is increasing. Global business leaders, such as Siemens CEO Joe Kaeser, are already warning of a division of the world into a US and a Chinese sphere of influence.

As a major exporting nation, Germany has a lot to lose. Hundreds of thousands of jobs depend on trade with the People's Republic, particularly in the automobile and textile industries. Nevertheless, German Chancellor Angela Merkel recently admonished the government in China to resolve the Hong Kong issue peacefully and without the use of violence. In this case, we carry a double responsibility: to maintain our prosperity while also ensuring freedom and the observance of the rule of law.



Detlef Prinz
Publisher

The two principles of freedom and responsibility are also affected by today's pernicious tendency toward protectionism. This trend, too, holds the potential to have a particularly strong impact on an export nation like Germany.

If Europe wants to play a continued role – both politically and economically – it will have to establish a common voice and assume more responsibility in the realm of foreign affairs and security policy.

However, in order to prevent the EU from playing a second-tier role on the world's political stage, Germany will have to strengthen the social, political, economic and technological forces that bind the European Union. In a Europe threatening to drift apart, Germany must insist that the EU be able to safeguard its interests by enabling majority decision-making rather than unanimous votes.

If we German Europeans – and we European-minded Germans – choose to see this transition to a new world order as an opportunity rather than a threat, then we will have little to worry about with regard to the future of Europe. Indeed, this approach would allow us to infuse the principles of freedom and responsibility with new vigor so that subsequent generations can meet the challenges of the new era and enjoy their own freedom, prosperity and open ways of life.

BY ERIC BONSE

When Jean-Claude Juncker assumed leadership of the European Commission in Brussels in autumn 2014, the world was more or less united; Washington and London issued good tidings, not stink bombs. And Juncker could rely on German Chancellor Angela Merkel, who was at that time riding the height of her power.

Five years later, Juncker's successor, Ursula von der Leyen, faces an entirely different terrain. The economic situation has worryingly deteriorated as the US-Chinese trade war and the looming hard Brexit have stirred fears of a recession. The West is in crisis; Washington and London are no longer reliable partners. Even Merkel is showing signs of weakness.

But von der Leyen appears undaunted. In mid-July, as part of her campaign speech in the European Parliament in Strasbourg, she only touched on the problems and risks she would face. Her focus lay on opportunities and promises: "Anyone that is with me in wanting to see Europe grow stronger and to flourish and blossom can count on me as a fervent supporter."

Awaken, not abandon – that was the message. Europe must trust its own strengths and assume more responsibility in the world, the incoming commission president urged. Above all in terms of climate protection, von der Leyen wants to lead the way. In the first 100 days of her term, she will propose a statute that will make Europe the first climate-neutral continent by 2050.

She is also proposing to transform the European Investment Bank into a Climate Bank. A "Sustainable Europe Investment Plan" will underpin investments to the tune of €1 trillion over the next 10 years. With this move, von der Leyen would build on the Juncker Plan – which has been sponsoring investment since 2015 – and thereby burnish her green image.

Another of her emphases will be foreign and security policy. The former German defense minister has pleaded for an "army of Europeans" that can allow the EU to intervene militarily when necessary. Furthermore, she speaks in favor of majority decision-making in matters of foreign policy. Still, she argues, resolutions concerning "dangerous" mis-



A more perfect union: Ursula von der Leyen speaking in front of the European Parliament in July

Certain uncertainties

What awaits incoming European Commission President Ursula von der Leyen

sions should be ratified at the national level.

Another von der Leyen promise is to expand upon the Juncker idea of a European Pillar of Social Rights as well as the promotion of democracy and equal rights within the EU. In this vein she is urging the adoption of a "fair minimum wage" in all member states of the EU as well as a proposed European Unemployment Benefit Reinsurance Scheme that would help financially unburden states in crisis. She also announced that her team would comprise an equal number of men and women.

However, implementing this highly symbolic promise has already proved vexing. Only two EU member countries have fulfilled the requirement of putting forward one man and one woman for the new commission. After the first nomination deadline expired, men still constituted a majority. Von der Leyen then felt forced to keep the provisional list under wraps – and to call for further nominations.

Yet the gender parity issue may still turn out to be her easiest task. It may prove more difficult to assign the new commissioners their posts. Von der

Leyen must tread lightly not only around the heavyweights Frans Timmermans and Margrethe Vestager, her recent rivals who are still in the game and are demanding first-rate appointments; she must also appease the governments in Warsaw and Budapest, which expect something in return for lending her their votes.

It is also necessary to make a number of strategic preliminary decisions: Should the responsibilities for the economy, investment and climate be merged to facilitate implementation of the promised Green Deal? Or would it be more effective to distribute the weight of these important departments across several shoulders? Does the European Commission need a defense commissioner – which would be a first – or should such responsibilities fall to Josep Borrell, the new High Representative of the Union for Foreign Affairs and Security Policy?

The awarding of posts is expected to result in a heated tug-of-war. But even if von der Leyen succeeds in solving the unusually complex personnel puzzle and establishing gender parity within her team, she will not yet have reached her goal –

first come the hearings at European Parliament, whose members must approve the entire new commission, and could use the hearings to shoot down individual candidates.

In light of the modest majority enjoyed by her party, the European People's Party, which won the closely contested July election that landed von der Leyen in her new job, the process is fraught with risks not only for the commissioners, but their boss as well. She can ill afford a "no" for her team; this would further undermine its already weak legitimacy in the wake of the wrangling during the European election. Consent from Europe's heads of state and heads of government is not enough; the new commission must also receive the backing of the European Parliament.

In Brussels, therefore, the conventional wisdom is that von der Leyen will make overtures to her critics, the Social Democrats (SPD) and the Greens, as European Council President Donald Tusk has suggested. Jens Geier, the head of Germany's SPD delegation to European Parliament, is demanding concrete social policy plans; the Greens, for their part, are applying pres-

sure on climate issues. And all the while, the commission president must also cater to the conservative and liberal camps in her own party.

This is no small balancing act, and it comes at a difficult time to boot. It is already foreseeable that the start of the new European Commission will be overshadowed by Brexit and fears of further crises. The UK is slated to leave the EU on Oct. 31, one day before von der Leyen takes office. But what happens in the event of a hard Brexit? Or even another postponement?

Under the current constellation of factors, so say insiders, nothing at all is certain – not even that the new European Commission will begin on Nov. 1. Perhaps as late as Christmas? And perhaps the prime focus will not be the climate, but rather the economy, as was the case five years ago at the start of the Juncker Commission. But there is one thing that is indeed certain: the notion of an ideal world is gone for good, even in Brussels. ■

Eric Bonse is a political scientist and journalist. He works as an EU correspondent in Brussels.

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Lousy levies

anniversary of the PRC's founding on Oct. 1 and only two years before the Chinese Communist Party celebrates its 100th birthday, Xi Jinping cannot show any sign of weakness. The nationalism he has fueled will stiffen his resolve not to bend to Trump's quixotic policy.

Negotiations are scheduled to resume in October. But even if a mini-deal could be achieved, with China pledging to buy more American farm products and the US lifting its ban on Huawei, the fundamental confrontation between the antagonists would persist for the simple reason that the trade hostilities are not only about trade. Behind them lurks the specter of decoupling the two largest economies of the world – and behind that the scenario of another Cold War fraught with danger, this time pitting the United States against the People's Republic of China in a geopolitical, geostrategic and ideological war over the shape of the world in the 21st century.

David Shambaugh, the American sinologist, has called the two powers "The Tangled Titans." And tangled they are. For all practical purposes, their economies have been fused over the past few decades. Their supply

chains are deeply enmeshed. Mutual investment reached many tens of billions before it fell sharply as the trade war intensified. America's semiconductor industry is heavily exposed to China, while American consumers contributed significantly to Chinese growth. But now the hardliners in Washington are trying to disentangle the two titans. Decoupling seems to be the order of the day in the White House: breaking up a relationship that is seen as posing a long-term strategic threat to the US and stopping China from modernizing its economy and achieving technological leadership.

And clearly the trade hawks have the ear of the president. In a fit of presidential megalomania, Trump tweeted on August 23: "Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing your companies HOME and making your products in the United States." If he were to follow through on this, the ensuing global disruption would entail grave uncertainties and perils.

For John Bolton, the president's recently fired national security advisor, trade was but one facet of China's threat to American

national interests. He belongs to the school of thought that not only resents China's aspiration to economic primacy but views China as an adversary seeking regional and global dominance. Bolton's posture was that of a hardheaded *realpolitiker*; a stance already foreshadowed in the "National Security Strategy of the United States" published in December 2017. This fact, coupled with reports that Bolton had already lost the president's ear, makes it unlikely that Bolton's departure will have much effect on US policy toward China.

The document described China as a "revisionist power" seeking to replace the United States in the Indo-Pacific region and to "shape a world antithetical to US values and interests." Pulling no punches, it argues: "Contrary to our hopes, China expanded its power at the expense of the sovereignty of others. China gathers and exploits data on an unrivaled scale and spreads features of its authoritarian system, including corruption and the use of surveillance. It is building the most capable and well-funded military in the world, after our own. [...] China's infrastructure investments and trade strategies rein-

force its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability."

In case anyone missed the point – that "a geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region" and that China and the US are headed for confrontation – US Vice President Mike Pence, rattling off a comprehensive list of China's unacceptable policies, said in a speech at the Hudson Institute: "This president will not back down... America will stay the course."

As it stands, the world does not know where this course will take us. According to Graham Allison, the founding dean of Harvard's School of Government, armed conflict is possible. In his essay "The Thucydides Trap," he asks: "Are the US and China headed for War?" Writing about the conflict that devastated Athens and Sparta 2,500 years ago, he concludes: "When a rising power threatens to displace a ruling power, alarm bells should sound: danger ahead."

He has since expanded his thesis into a book titled – with an echo of President Trump's erstwhile advisor Steve Bannon – *Destined for war*. Some retired Chinese generals also make equally belligerent comments. "If the Bannons of this world are determined to stop China's rise, they will likely push China and America into a military showdown," wrote the *Global Times*.

Europe, while not sharing Trump's protectionist leanings and his trade war strategy, also wants a level playing field, reciprocity of market access and equal investment opportunities in the People's Republic. It banks on cooperation, however, not on extortionist confrontation. It will assert its interests, but above all it will want to influence the United States and China not to turn "a manageable, albeit vexed, relationship into an all-embracing conflict," in the words of Martin Wolf. The highly respected *Financial Times* commentator pointedly added: "for no good reason." ■

Theo Sommer is executive editor of *The German Times*.

LEGAL NOTICE

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