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The story of the US and Germany will always be about more than presidents and chancellors. It revolves around joint family histories, poetry, movies, sports – and some politics, as well.

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Swan song and legacy

Angela Merkel in Munich: "Only together can the West survive!"

BY THEO SOMMER

This year's Munich Security Conference (MSC) – the security and foreign policy twin of the Davos World Economic Forum – convened under dark clouds of doom and gloom. The over 800 participants – among them 19 presidents, 13 heads of government, 83 ministers of defense and foreign affairs, a 50-person US congressional delegation, high-ranking diplomats and military officers from all over the globe – came together at a time when the world order is in utter disarray. Wolfgang Ischinger, chairman of the MSC, made no bones about it. As he put it in his welcoming remarks, we are currently witnessing "a reshuffling of core pieces of the international order... The kind of new order that will emerge remains unclear."

Not only is the world economy weakening, as tariff conflicts herald a pernicious trade war, but the certainties of international cooperation are also waning and vanishing in the political realm, as America's retreat from global leadership and the rise of Xi Jinping's China upend the prevailing power patterns of the past 70 years. Geopolitical conflict has become thinkable once again. "We find ourselves in a situation potentially more dangerous than at any point since the end of the Cold War," said Ischinger. The *Bulletin of the Atomic Scientists* has once again set its Doomsday Clock to 11:58 p.m. – two minutes before the symbolic midnight apocalypse, the same this year as back in 1953.

The worst feature of this depressing picture is the fraying of what used to be called the West, the free world or the liberal international order, a fraying to the point of dissolution. Roger Cohen, the perspicacious international correspondent for *The New York Times*, felt justified after the Munich conference to compose a "requiem for the West." Like most Europeans, especially the Germans, he puts the blame squarely on the shoulders of US President Donald Trump, his relentless Europe bashing and his disrespect for allies, international institutions and anything that reeks of cooperation and compromise; in other words, for multilateralism. A collaborative approach is not his cup of tea.

In the spirit of reckless unilateralism, Trump has been shedding America's global commitments. He withdrew from the Trans-Pacific Partnership (TPP), the Paris Climate Agreement, the Joint Comprehensive Plan of Action (JCPOA) – commonly known as the Iran nuclear deal – and, most recently, from the INF arms control treaty with Russia. Having called Europe a "foe" and welcomed the EU's breakup through Brexit, he has also repeatedly questioned the US commitment to defend NATO partners; reportedly he has privately told aides that he wants to leave the "obsolete" alliance.

> **In the spirit of reckless unilateralism, Trump has been shedding US global commitments**

In Munich, the dissent within the trans-Atlantic community found its clearest expression in two speeches. German Chancellor Angela Merkel passionately invoked the spirit of multilateralism and togetherness, whereas US Vice President Mike Pence delivered a stilted teleprompter presentation of undiluted Trumpism.

Merkel's message was clear. The world order shaped by the US after World War II is "coming under incredible pressure," but we must not let it be smashed; rather, we must reform it. In meeting the enormous challenges facing mankind, one should not think "that each of us can best solve the problem single-handedly." With approval she quoted Senator Lindsey Graham's statement that "multilateralism may be complicated, but it's better than staying at home alone." Cooperation and compromise, she argued, are the order of the day.

Without ever mentioning Trump by name, the chancellor turned her fire on several aspects of the president's America First policy.

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Fusions and confusions

Germany is going to promote and protect industrial champions

BY NIKOLAUS PIPER

In late 2018, one of Germany's most venerated and long-standing companies stopped being German. Linde AG was founded in 1879 by Carl Linde, the inventor of the refrigerator, and rose to become the world's largest supplier of industrial gases, including oxygen and nitrogen. Late last year, it merged with its US competitor Praxair. Today, the new company, Linde plc, has its head offices in Dublin instead of Munich – for tax reasons.

In fact, what is officially being called a "fusion" is actually an outright takeover, and the German industry icon is now poised to become American. The transaction is not without historical irony, as Praxair was once the US subsidiary of Linde AG. During World War I, Linde assets in the US were confiscated and sold to a US company, which ultimately renamed it Praxair and listed it as such on the New York Stock Exchange starting in 1989.

This is all interesting to historians and perhaps a few analysts, who question the business logic behind the takeover of one entirely healthy company by another. Politicians and the public, however, rarely take interest in the matter, which is not surprising. After all, the question of whether a company is "German" is usually irrelevant in Germany – the world's export leader – as long as the jobs stay in the country.

The idea of fostering "national champions" has been a foreign concept in German politics for many years. When Siemens (Germany) and Alstom (France) sought to merge their rail operations in an attempt to create a European champion of railway technology, the European Commission disallowed the merger over concerns as to how it would affect competition. There was very little protest to this decision, except among those directly affected.

Similarly, nobody stepped in when Germany lost its leading market position in solar tech to the People's Republic of China. In Germany, it doesn't seem to matter whether a company is German or not – at least when it comes to investments.

We might soon have to say it *didn't* seem to matter. It is possible that Germany's agnostic attitude with regard to national industrial policy will soon be coming to an end. In early February, Peter Altmaier, Germany's current minister for economic affairs and a close confidante of Chancellor Angela Merkel, presented a "National Industrial Strategy 2030" in Berlin. This plan foresees Germany using state funds to support, for example, a European factory for car batteries, with one billion euro coming from Berlin and 700 million from Paris. It would also create a fund that invests in companies vulnerable to takeover, thus protecting them from being swallowed up. Altmaier is even thinking about easing antitrust laws, with the aim of lowering the barriers to company mergers.

> **Germany's agnostic attitude with regard to national industrial policy could be over**

At the moment, there is much debate as to whether or not all of this makes any sense. Much more important, however, is the fact that the Ministry for Economic Affairs published such a paper in the first place. Since the days of Ludwig Erhard, West Germany's first postwar economics minister and the architect of its "economic miracle," stewards of the German economy have consistently promoted – in theory, not always in practice – a classic, economically liberal position; that is, decisions with regard to investments are made by companies, not politicians. It would appear that this is about to change.

There are three clearly identifiable reasons for this paradigm shift. First is the presidency of Donald Trump in Washington. His aggressive rhetoric against German export

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It's not rocket science

After scrapping INF, how might we prevent Arms Race 2.0?

BY RICHARD BURT AND JON WOLFSTHAL

As we move into 2019, a new round of US-Russian nuclear competition – Arms Race 2.0 – is clearly emerging. The risk of nuclear conflict through deliberate action or some tragic combination of mistakes and escalation is growing. While both sides are developing and deploying new offensive and defensive strategic systems, the two governments are taking actions that could lower the threshold to nuclear use.

Amid all of this, political engagement, strategic dialogue and trust have evaporated from this complex and increasingly adversarial relationship. This dynamic not only threatens to undo 50 years of efforts to avoid the possibility of a US-Russian nuclear exchange; it also undermines attempts to slow or halt the spread of nuclear weapons globally.

Despite the crises and close calls, we survived the Cold War without using nuclear weapons. But Arms Race 2.0 is arguably more dangerous in an era characterized by cyber-enhanced information warfare and the introduction of advanced capabilities by both countries that could undermine strategic stability.

One special new problem is the extent to which Washington and Moscow have interconnected their own nuclear and non-nuclear command, communication and control systems. This mixing of capabilities, described by analysts at the Carnegie Endowment as "nuclear entanglement," further increases the risk that conventional conflicts could escalate quickly to the nuclear level through miscalculation.

We will need to be more than lucky to manage this new competition. US and Russian leaders will need to be smarter and more focused than their predecessors to ensure that their efforts prevent any unintended or unexpected event from quickly triggering a more dangerous conflict.

Unfortunately, the toxic character of the current US-Russian political relationship will make this process much more difficult. The latest casualty in the growing freeze between Moscow and Washington is the 1987 Intermediate Range Nuclear Forces Treaty (INF). Adopting the INF agreement banning all nuclear or conventionally armed ground-based missiles with ranges between 500 and 5,500 kilometers marked a critical step in ending the Cold War. Its entry into force ushered in a generation of nuclear transparency and reduction agreements that have served the security interests of both countries and Europe as a whole.

In 2013, Washington accused Russia of violating the treaty by testing and later deploying the 9M729 cruise missile and has now canceled the agreement. Russia, which denies any such violation, has, in turn, accused NATO and the United States of undermining the INF pact by deploying launchers for missile defenses in Romania that can also fire offensive missiles banned by the treaty.

Neither side has shown a willingness to compromise in order to save the agreement and the benefits it brings, although Russia has made some last-minute efforts to at least appear as though it seeks a diplomatic solution. In retrospect, it seems inevitable that the INF Treaty was to be scrapped, to the detriment of stability and predictability in Europe and elsewhere. If INF-range missiles are again deployed in or around Europe, the risk that a crisis or mistake can quickly escalate will further increase.

Europe is an accident waiting to happen. The Nuclear Crisis Group (NCG), an international group of specialists tracking potential nuclear flashpoints around the globe, catalogued in 2018 alone over 170 military incidents between NATO and Russian military forces in the European region that had the potential for serious escalation. Yet the refusal by Moscow and Washington to engage seriously on INF, or more broadly on political and security issues, is a symptom of the growing distrust and animosity felt on both sides of the relationship.

These strains now threaten the entire architecture of strategic arms control. The most recent pillar of this complex structure, the 2010 New START Treaty, limits both Moscow and Washington to no more than 1,550 warheads on 800 missiles and bombers and expires in February 2021. The accord built on its predecessors, including the original 1991 START Treaty that enabled on-site inspections in both countries and created a system of transparency and predictability in strategic nuclear deployments that has lasted for nearly three decades.

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"No puppet. No puppet. You're the puppet." Demonstrators protest the looming cancellation of the INF Treaty in front of the US embassy in Berlin on Feb. 1.

For the Trump administration, steeped as it is in the anti-arms control views of its national security advisor John Bolton, arms accords are viewed as a menace. In an environment where Russia is seen as having violated or skirted the limits on several arms control agreements, it is easy to understand how Trump could be convinced to let such agreements die or, better yet, be killed by his own hand. New START has the unfortunate additional stigma in the Trump administration of having been negotiated under Barack Obama, a president whose agreements tend to die painful deaths by Trump tweets.

For Moscow, the picture is more complex, but the INF Treaty, START and New START agreements are seen as legacies of an era when a newly independent Russia was willing to accept what are now seen by the hawks in the Kremlin as one-sided arms control deals. Not only is Moscow developing a variety of new nuclear weapons to counter its perceived conventional inferiority; it also seems ready to walk away from deals negotiated in a period of economic and political weakness.

It is unclear whether President Putin believes that Russia will benefit from a new phase of nuclear competition or, instead, seeks to negotiate new deals from a position of strength. In the meantime, however, Moscow seems intent on sowing confusion among its adversaries and leaving opaque the nature of its nuclear capabilities and doctrine.

This combination of short-sightedness and opportunism combined with the inherent risks of nuclear weaponry and the prospect for accidental or unintended military incidents presents a troubling set of risks. The current occupants of the White House and Kremlin – and their advisors – would do well to heed the key lessons of the Cold War. Both Ronald Reagan and Mikhail Gorbachev came to recognize and then openly state that a nuclear war could not be won and should never be fought. Accordingly, they turned away from nuclear brinkmanship and accepted the idea of mutual and verifiable quantitative and qualitative arms limits. In an earlier era, both Richard Nixon and Leonid Brezhnev, two hard-liners for sure, also recognized the value of détente, including strategic arms control.

In assessing where we should go from here, one thing is clear: Both the United States and Russia will, for the foreseeable future, seek to maintain nuclear arsenals that can survive any combination of a nuclear or hybrid first strike by the other. Thus, having enough survivable weapons to inflict unacceptable damage on the other remains the core of deterrence that should continue to guide strategic thinking in both countries. This means that new developments and programs perceived as undermining such a capability – whether new missile defense technologies, advanced and highly accurate conventional weapons or increasingly the possible impact of cyber capabilities – should be the subject of deep strategic consultations. Even if these talks do not produce new agreements, understanding the thinking and activities of both sides will reduce the risks of miscalculation and escalation.

The fact that neither Moscow nor Washington at this juncture seems interested in pursuing a serious and comprehensive dialogue over what strategic stability looks like in the 21st century represents a remarkable abdication of their global responsibilities.

The reality today is, as was the case decades ago, that neither Russia nor the US can outrace or out compete the other in the nuclear sphere. However, the "Russia issue" in US politics is increasingly toxic and it is unclear whether the nuclear agenda in the bilateral relationship can be salvaged. With accusations of collusion between Trump and Russia and hyper-partisanship now dominating Washington politics, anyone seeking a dialogue with Russia is accused of appeasing Putin. This has to end and real, sustained engagement between US and Russian officials and experts must get under way again.

Richard Burt is a co-chair of the Nuclear Crisis Group and the former US Chief Negotiator of the Strategic Arms Reduction Treaty.

Jon Wolfsthal is director of the Nuclear Crisis Group and former senior director for arms control and nonproliferation at the National Security Council.

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surpluses, his threats with regard to punitive tariffs and the prospect that German automobile imports could be declared a danger to US national security – have come as a shock to Germans. The country's most important ally is no longer a benevolent hegemon standing for shared values; instead, it is a rude competitor that uses its political power to gain economic advantages for itself. In fact, if negotiations on Praxair's takeover of Linde were being held today, it is unclear whether German politicians might attempt to block the deal.

The second force behind the shift in opinion in Berlin is the scandal surrounding manipulated diesel emissions. Since 2015, when it was revealed in the US that Volkswagen had installed illegal defeat devices in its diesel models in order to meet the official limits for nitrogen oxide emissions, "Dieselgate" has been one of the most discussed topics in Germany. Volkswagen already paid a fine of $4.3 billion to the US, with a number of lawsuits on behalf of motorists in several countries still pending. Stuttgart and other German cities have even had to impose driving bans on diesel cars for some roads.

The diesel scandal rocked the very core of the German auto industry, which had until recently been the pride of the country. Is it possible the industry is facing massive technical and economic problems? In Germany, more than 820,000 people are employed in the development and construction of automobiles, contributing 7.7 percent to the gross domestic product. The suspicion plaguing Germany's general public today is that the industry has missed the boat on important technical trends and might, for example, no longer play a meaningful role in battery technology development for electric cars, which is exactly where Altmaier has called for action.

The third and perhaps most important reason for the novel involvement of politicians in the German economy is the rise of China or, more precisely, a changed assessment of that country's economic ascent. Until recently, Germans have only benefited from China's successes. The People's Republic is Germany's most important trading partner, ahead of both the Netherlands and the US. For 2018, the total volume of trade with China reached €200 billion, with Germany exporting goods worth €93 billion euro to China and importing goods totaling €106 billion. No other European country enjoys a position comparable to Germany's status in China. Today, however, an increasing amount of skepticism is diluting that enthusiasm. After all, the Asian giant remains a communist dictatorship and continues to pursue an aggressive foreign policy increasingly characterized by the aspiration to achieve dominance. In the context of the fundamental shift toward the digital age, this behavior serves to cause anxiety and fear.

The first wake-up call that prompted Germany to rethink its policies toward China was the Kuka case. In 2016, the Augsburg-based industrial robot manufacturer was sold to the Chinese Midea Group. Prior to that, Sigmar Gabriel – a Social Democrat and then-minister of economic affairs – had tried in vain to prevent the deal and shield Kuka's strategically important robot technology. Now the technology is gone, and Kuka might even become a victim of the current Chinese-US trade dispute; as the economic climate worsens, Chinese industrial companies are buying fewer robots.

More and more Germans are worried about issues that go beyond the possible loss of a key technology. Concerns about data protection and national security are on the rise. In this realm, the focus is on the Chinese tech giant Huawei, the second-largest provider of mobile phones worldwide. Huawei is currently expanding its market strength in Europe at a rapid pace. Deutsche Telekom, for example, is an important Huawei client. Huawei equipment is also set to play a key role in the expansion of Germany's infrastructure for the new generation of 5G mobile communications; that is, unless the federal government intervenes at the last moment and puts a stop to Huawei's plans.

And this is precisely what the US government would like to see happen. Officials in Washington fear that when push comes to shove, China could use Huawei components as tools of espionage. Meng Wanzhou, Huawei's CFO and daughter of the company's founder, was arrested recently in Canada on a warrant from the US.

Concerns over the loss of data security as a result of the use of Chinese technology are likely justified, especially considering the nonchalance with which the Beijing government uses the data of its citizens to carry out comprehensive surveillance. For European governments eager to protect their own citizens' freedoms, it would not be wise to give Huawei unprotected access to sensitive data. However, in light of the aggressive behavior exhibited by President Trump, it looks like these legitimate concerns might also be used as weapons in a Chinese-US battle for supremacy over the technology of the future.

This is the backdrop against which Germany's minister for economic affairs is now attempting to intervene in industrial policy – an approach that is very unusual in the country's economic history. Still, one of Altmaier's areas of concern is right on the nose: no new global corporations and no world market leaders are emerging in Germany anymore, or, for that matter, in the EU. The only exception to this rule is the Walldorf-based software company SAP. Almost all other globally operating companies in Germany can be traced back to the early days of industrialization: Siemens, Daimler, Thyssen-Krupp, Bayer, BASF and even Deutsche Bank. Moreover, countless names have disappeared over the course of the years: AEG, Hoechst and Grundig. Until recently, Germany had hoped to facilitate the growth of new companies by means of improved framework conditions. Now, however, a hands-on industrial policy is being set up to accomplish that task and generate some European champions.

But does this approach make sense? There is indeed one shining example of successful European industrial policy: Airbus. But that company required a large amount of time and money to become a serious player on the global aircraft market. Only in 2001 – more than 30 years after it was founded – did the European corporation sell more planes than its US competitor Boeing. But the digital age doesn't provide companies with as much time as that. For this reason, Peter Altmaier's industrial policy initiative could easily go down in history as one of the many missteps made in these uncertain times.

Nikolaus Piper has been a business editor for the *Süddeutsche Zeitung* and reported for many years as a New York correspondent.