

# Winds of Change in Berlin? A Road Map for U.S.–German Relations

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## KEY TAKEAWAYS

As a crucial ally and hub for U.S. presence in Europe, facilitating and enhancing the continued strength of bilateral relations with Germany should be a priority.

A window of opportunity exists to set bilateral relations back on the right foot; however, this should not overwhelm meaningful engagement with the rest of Europe.

The U.S. should consistently seek to move Berlin toward greater alignment with Washington on responding to the myriad threats from China and Russia.

Germany is a crucial ally, the hub of U.S. presence in Europe, and the most important voice on the European continent. A changing strategic landscape driven by an assertive, self-assured China; a continuously aggressive and increasingly reckless Russia; a destabilized European periphery to the south; and a lingering pandemic still altering economic, social, and political dynamics necessitate a fresh look at the bilateral relationship.

Facilitating and enhancing the continued strength of U.S.–German economic, political, and security relations should remain a priority. Simultaneously, the U.S. should work to address two key challenges.

1. The U.S. cannot allow the desire to repair relations with Germany to overwhelm meaningful engagement with the rest of Europe,

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nor undermine U.S. national interests in Europe (as is the case for the Biden Administration's Nord Stream II [NS2] policy). The U.S. should not make the mistake of believing that Berlin or Brussels are the only capitals that matter in Europe. Squandering the significant investment the U.S. has made in Central and Eastern Europe would be shortsighted.

2. It is vital that the U.S. succeed in bolstering the resolve of Germany to stand up to President Vladimir Putin's Russia, while concurrently orienting German policy toward a sober recognition of and robust reaction to the acute strategic challenge posed by China. The degree to which the U.S. is able to direct Germany toward alignment with U.S. thinking on Russia and China will have an outsized impact on the formation of a united transatlantic approach.

With a new government incoming in Berlin, a window of opportunity exists to set U.S.–German relations back on the right foot, while slowly but resolutely encouraging our allies to join the U.S. in pursuing policies that, in the long run, will bolster transatlantic security.

## Germany

Germany is the largest economy in Europe, the second-most populous North Atlantic Treaty Organization (NATO) member after the U.S., and the most influential member of the European Union (EU). The nation's central location and historical legacy have resulted in Germany continuing to serve as the physical hub for America's presence in Europe. Germany hosts more than 55,000 American troops and their families,<sup>1</sup> far more than any other European nation; pays more than \$1 billion a year to offset the cost of basing U.S. troops on its soil; and is the keystone logistics center for the U.S. presence in Europe and the Middle East.<sup>2</sup> The U.S. and Germany enjoy important business, intelligence, military-to-military, and political ties, and have a shared interest in a stable, secure Europe. Both Germany and the U.S. remain firmly committed to NATO as the cornerstone of transatlantic security.

Economic relations between the U.S. and Germany are strong. "In 2019, bilateral trade in goods and services totaled nearly \$260 billion, with U.S. exports of \$96.7 billion and imports of \$162.9 billion."<sup>3</sup> In 2020, Germany was the fifth-largest foreign direct investor in the U.S.,<sup>4</sup> investing \$411.3 billion. The U.S., for its part, is the largest investor in Germany, investing \$162 billion in 2020 alone.<sup>5</sup>

The most recent data available shows that around 860 million Americans work for German companies, and 675 million Germans work for U.S. companies.<sup>6</sup> A showcase example of U.S.–German economic and scientific cooperation is the Pfizer-BioNTech<sup>7</sup> COVID-19 vaccine, the first to receive emergency use authorization from the Food and Drug Administration in December 2020, and full authorization in August 2021.<sup>8</sup>

## Bilateral Relations and the Biden Administration

Bilateral relations during the Trump Administration were rocky, with President Trump voicing consistent public criticism of Germany’s failure to spend 2 percent of GDP on defense, along with the chancellor’s support for the NS2 natural gas pipeline. Toward the end of his term in office, President Trump began to put in place ill-conceived plans to withdraw nearly 12,000 U.S. troops from Germany. While high-level political relations soured during the Trump Administration, cooperation beneath the waves continued to function as it had for decades.

Upon taking office, the Biden Administration prioritized rehabilitation of high-level U.S.–German political relations. Unfortunately, while the public tone of the bilateral relationship has improved, the policy decisions of the Biden Administration have been, at best, inconsistent. The Administration was correct to cancel the Trump Administration’s plans to withdraw nearly 12,000 troops from Germany. Furthermore, the Biden Administration made a positive decision in its April 2021 announcement by Secretary of Defense Lloyd Austin of an increase of 500 U.S. troops to be stationed permanently at Wiesbaden, alongside the retention of three facilities previously planned to be returned to the German government.<sup>9</sup>

Despite some early positive steps, it is already clear that President Biden’s interest in comity with Berlin will come at a cost both to U.S. national interests—as well as to U.S. relations with the rest of Europe. Nowhere is this more evident than in the Administration’s decision to discontinue forceful efforts to stop the completion of the NS2 pipeline.

**Biden, Germany, and the Dangers of NS2.** To facilitate warmer relations with Germany, in May the Biden Administration signaled capitulation on the issue of stopping NS2 by choosing to drop sanctions against the operator (Nord Stream 2 AG) and its CEO. In July, the U.S. ended any speculation that it might revert to a more stringent policy by agreeing to a deal with Germany that essentially ensures the completion of NS2 with little in exchange.<sup>10</sup>

The NS2 pipeline, running from Russia to Germany, is a geopolitical project that is neither economically necessary nor geopolitically prudent. It will increase European dependence on Russian gas and magnify Russia's ability to use its European energy dominance as a political trump card. It will also calcify European disagreements over energy that the project has opened, while specifically undermining U.S. allies in Eastern and Central Europe.

By choosing to acquiesce on the completion of NS2, the Biden Administration has suppressed the long-term national security interests of the U.S. and overlooked the views and tangible concerns of the majority of Europe and a significant portion of the German political class and public in favor of comity with the Merkel government.<sup>11</sup>

The recently announced U.S.–German agreement is merely a hollow diplomatic gesture, ensuring the transatlantic community faces the dangerous reality of NS2 while failing to provide the necessary tools to punish impending Russian aggression and energy coercion. The agreement promises “unspecified actions” if, in the future, Russia once again ramps up its use of energy coercion. This vague language assures Putin that any new aggression will be met either by no response or a merely symbolic one.

While U.S. officials have indicated that limiting Russian gas flows could be one such response, German officials do not agree.<sup>12</sup> To think that a new government in Germany will throttle gas supplies, driving up prices in the middle of winter (at a time when European gas reserves are at historic lows) strains credulity. Furthermore, in August, Russian Ambassador to Germany Sergey Nechayev made it clear that Russia *does not view the agreement as legally binding*.<sup>13</sup>

The agreement also falls short in its assistance to Eastern European nations most impacted by NS2's completion.

- Germany's promise to help extend Russia's gas transit agreement with Ukraine is merely a promise to try.
- History has shown that no Russian assurance granted in negotiations can be trusted.
- Moscow has little incentive to negotiate an extension, especially now that NS2 is physically completed.
- The planned “green fund” for Ukraine, even if fully funded, has no guarantee of success, nor is it clear that a Ukrainian energy transition is supported by the Ukrainians themselves.

- Finally, the paltry sums promised by Germany to assist Ukraine’s energy transition (\$175 million for the green fund, plus “the nomination of a special envoy to help Ukraine phase out coal with \$70 million of funding”<sup>14</sup>) pales in comparison to annual revenues of over \$2 billion in 2020 that Ukraine collected from transit fees.<sup>15</sup>

**The Botched Afghanistan Withdrawal.** The Biden Administration’s NS2 capitulation, which left many in Europe wondering about U.S. resolve, was followed closely after by the President’s Afghanistan debacle that has severely shaken Europe’s faith in U.S. leadership at a dangerous time, including in Berlin. Armin Laschet, Chancellor Merkel’s handpicked successor, described the Afghanistan withdrawal as “the greatest debacle that NATO has seen since its foundation.”<sup>16</sup> Norbert Röttgen, chairman of the German parliament’s foreign relations committee, stated that Afghanistan “does fundamental damage to the political and moral credibility of the West.”<sup>17</sup>

Chancellor Merkel herself blamed “domestic reasons” for the Administration’s hasty, ill-prepared, and poorly executed withdrawal.<sup>18</sup> She also noted, “For those who believed in democracy and freedom, especially for women, these are bitter events.”<sup>19</sup> President Biden’s handling of Afghanistan has disabused many Germans of the simplistic view that his arrival in the Oval Office would be a natural balm to the bilateral relationship and the problems of the world, rather than an exacerbator of them.

One facet of the botched U.S. withdrawal from Afghanistan was the Biden Administration’s inability to comprehend the ownership stake that many European allies retained in a secure and democratic Afghanistan. From January 2002 to June 2021, over 150,000 German soldiers served in Afghanistan, many for repeated tours of duty.<sup>20</sup> “It was the longest, most expensive and the bloodiest German deployment since WWII.”<sup>21</sup> Germany spent \$15 billion and lost the lives of 59 soldiers during its time in Afghanistan.<sup>22</sup> At the beginning of this year, Germany had the second-largest contingent of allied forces in Afghanistan. One German Bundestag member warned in December 2020 that a “hasty and rash withdrawal would only lead to the collapse of social structures and the return of organized violence of all kinds.”<sup>23</sup>

Despite the Biden Administration entering office addressing the need to consult with allies, the U.S. decision to execute a complete withdrawal from Afghanistan by September 11, 2021, was made unilaterally, leaving allies—many of whom had recently committed additional troops to NATO’s Resolute Support Mission at the behest of the U.S.—feeling as though the rug had been pulled out from under them.<sup>24</sup> Some allies, such as Italy, Turkey,

and the United Kingdom reportedly sought to sustain a presence in the country but were unable without U.S. support, in particular, American air support.<sup>25</sup>

The downstream effects are coming into focus, a renewed terror threat emanating from a haven in an Afghanistan once again under the control of the Taliban. Europe is bracing for a new surge in migrants, and China, Iran, and Russia are jostling to fill the regional vacuum in Central Asia. The disastrous withdrawal also has had deleterious impacts on perceptions of NATO collective defense. One former NATO commander elucidated how impotent the debacle makes European NATO members look: “It’s all very well NATO talking up its ability to fight off Russia, but it couldn’t even find 3,000 to 5,000 troops to ensure Afghanistan was stable enough to force a stalemate, and eventually a ceasefire on the Taliban, without American underpinning.”<sup>26</sup>

In some corners of Europe, the inability to sustain an independent European force in Afghanistan is already leading to renewed calls for EU strategic autonomy. While the dilapidated state of many European service branches is troublesome for European NATO allies, pushing for an independent capability under EU auspices means drawing the wrong lessons from Afghanistan. European nations should indeed invest more in defense capabilities; however, establishing an independent EU-led military force—or even a “European pillar” inside NATO—is a mirage,<sup>27</sup> which will weaken transatlantic security and ultimately decouple the U.S. and Europe. A robust U.S.-led NATO is the only true guarantor of transatlantic security, and European nations should invest in their national capabilities with that clearly in mind.<sup>28</sup>

## German Internal Dynamics

After 16 years in office and four cabinets, Angela Merkel of the center-right Christian Democratic Union (CDU) is stepping down and will not be the next leader of Germany. Instead, the *Christlich Demokratische Union Deutschlands* (Christian Democratic Union, or CDU) and its sister party, the *Christlich-Soziale Union in Bayern* (Christian Social Union in Bavaria, or CSU) are fielding Armin Laschet, Minister-President of North Rhine-Westphalia as their candidate for chancellor in federal elections on September 26.

Chancellor Merkel casts a long shadow: Her steady, understated, often methodical approach has dominated German politics for nearly two decades. She has worked with four American and French presidents, and five British

Prime Ministers. Under Chancellor Merkel, Germany has grown into an economic powerhouse while playing the penultimate role of a cautious and often-reluctant regional power. Still, despite this wariness, Germany has in fact played a leading role in responding to Russia's invasion of Ukraine, in ameliorating disputes between Greece and Turkey—and in greatly amplifying the factors that led to an explosion of migrants heading to Europe in 2015, which in smaller numbers continues unabated to this day.

Merkel has guided her CDU toward the center of the German political spectrum, away from its conservative roots. She is accused of co-opting the most popular policies from a range of political opponents to maintain control over the center of the German political spectrum. The chancellor should be given credit for raising defense spending, as she has overseen increases in German defense spending from 1.1 percent of gross domestic product (GDP) in 2005 to 1.53 percent of GDP in 2021.<sup>29</sup> The German economy has grown from a \$2.8 trillion economy to a \$3.8 trillion economy in that same span,<sup>30</sup> magnifying the real increases in defense funding available that have occurred under Chancellor Merkel.

**Germany's Military Role.** Still, despite these changes, the German military remains underfunded and underequipped. Germany has never seriously sought to attain the NATO benchmark of spending 2 percent of GDP on defense by 2024, despite agreeing to it. In November 2019, German defense Minister Annegret Kramp-Karrenbauer announced that the nation will not attain the 2 percent benchmark until 2031<sup>31</sup>—a promise that may not be met at all under a different government.

The dilapidated state of the German military has been detailed in numerous publications and comprehensively in The Heritage Foundation's annual *Index of U.S. Military Strength*.<sup>32</sup> Suffice to say, without a major political decision to reinvest in defense, German security ambitions will always be outpaced by its lack of capability. As one former German diplomat has stated, without NATO, Germany "would have to double its defence budget to 3–3.5 per cent of GDP or risk being 'completely blind, deaf and defenceless.'"<sup>33</sup>

Still, while Germany remains reticent to take on a larger military role in Europe, Germany has deployed on several overseas missions in addition to its recently ended engagement in Afghanistan. Germany serves as the framework nation for NATO's Enhanced Forward Presence (EFP) battalion in Lithuania, with 583 troops stationed there.<sup>34</sup> Germany is investing \$110 million through the end of 2021 in upgrading facilities in Lithuania, including barracks used by the multinational battalion.<sup>35</sup> The Luftwaffe (German Air Force) has taken part 13 times in Baltic Air Policing, more than any other nation's armed forces, most recently in

summer 2020 out of Šiauliai Air Base in Lithuania<sup>36</sup> and out of Ämari Air Base in Estonia from September 2020 to May 2021.<sup>37</sup> Germany maintains 70 troops in Kosovo as part of NATO's Kosovo Force.<sup>38</sup> In April 2021, the *Bundestag* extended the mandate for Germany's participation in NATO's Sea Guardian maritime security operation, as well as Germany's participation in the United Nations Mission in South Sudan, extending both mandates through March 31, 2022.<sup>39</sup> Additionally, German forces participate in a number of U.N. peacekeeping missions, including in Lebanon and Mali.<sup>40</sup>

Despite what might be the staid perception, most Germans desire the U.S. to play an involved role in European defense and security matters.<sup>41</sup> Chancellor Merkel has made public statements supportive of an independent EU military capability,<sup>42</sup> yet German officials have poured cold water on more ambitious EU defense schemes, especially those championed by France. In November 2020, Minister Kramp-Karrenbauer was frank in her assessment that “[f]or the foreseeable future” the U.S. will remain “the most important ally in security and defense policy,” and that “[w]ithout the nuclear and conventional capabilities of the U.S., Germany and Europe cannot protect themselves. These are the sobering facts.”<sup>43</sup>

**The Political Parties.** Current polling shows a tight race between the CDU/CSU's Laschet and the Social Democratic Party (*Sozialdemokratische Partei Deutschlands*, or SPD) candidate Olaf Scholz, German Minister of Finance and former Mayor of Hamburg currently leading.<sup>44</sup>

The center-left SPD, with its roots in the nation's labor unions, has been far more reticent than its current coalition partners, the CDU/CSU, to invest in defense capabilities, continuing, for instance, to block plans for armed drones for the military (despite previously agreeing to them);<sup>45</sup> eschewing support for attaining 2 percent of GDP NATO contributions; and calling into question future nuclear sharing arrangements with the U.S.<sup>46</sup> The SPD has taken a similar approach to Chancellor Merkel in regards to Russia, calling out Russia's aggressions, but favoring continued dialogue and serving as the true engine of support for NS2 within the government. An SPD-led government is likely to take a softer stance on Russia; in fact, Angela Merkel's SPD predecessor, Gerhard Schröder, is today Chairman of NS2's Board of Directors.<sup>47</sup>

*Die Grünen* (The Green Party, or Greens), once a fixture of the far left, has moderated some of its policy positions and revamped its image, helping it capture greater support, especially from disaffected SPD voters. The Greens are expected to have a robust showing, although support has decreased from its high-water mark in the spring.

The classical liberal *Freie Demokratische Partei* (Free Democratic Party, or FDP) and the populist *Alternativ für Deutschland* (Alternative for Germany, or AfD) are polling fourth and fifth, respectively. It is highly unlikely that any one party will win a majority of seats in the *Bundestag*, and coalition-building could take time. The outcome of September's elections will have important implications on German foreign and security policy.

The Green Party, which sprang from a pacifist, leftist political well, has embraced more traditional positions on German foreign policy, and, in some cases, proposes charting a more hardline position than the CDU/CSU. The Greens favor greater pushback against China and Russia,<sup>48</sup> including opposition to NS2 (the FDP has called for a moratorium on NS2, and AfD is fully supportive of the pipeline) and weaning German industry from its overreliance on the Chinese export market.<sup>49</sup> The Greens are not in favor of the balanced fiscal position that has guided the nation for decades, instead favoring massive new government investment, including nearly \$60 billion a year in “green initiatives.” Their budget plans are described by one Green official by saying, “The goal is not a balanced budget, but a green budget.”<sup>50</sup>

The Greens also oppose increasing defense spending, in particular meeting NATO's 2 percent benchmark,<sup>51</sup> and have championed leftist domestic policy proposals including plans to “raise income taxes for high earners in one of Europe's most heavily taxed countries, set up a climate ministry that could veto any law, introduce migrant quotas to the civil service and enact gender self-identification into law.”<sup>52</sup>

## Russia and U.S.-German Concerns

Much has changed in the world surrounding German–Russian relations since Chancellor Merkel took office in 2005. Since that time, Vladimir Putin has consolidated power inside Russia, invaded and occupied parts of neighboring Georgia and Ukraine, embarked on an Arctic militarization, and engaged in a systematic hybrid war against the West. What has not changed is Chancellor Merkel's emphasis on dialogue with Moscow. During her first trip to Moscow as chancellor in 2006, she called for a new “strategic partnership” extending beyond energy and economic matters.<sup>53</sup>

In Merkel's final visit to Moscow in August 2021, she raised concerns regarding the imprisonment of Russian opposition leader Alexei Navalny, but in the same breath emphasized the importance of Germany and Russia “speaking with one another” and “keeping channels of communication open.”<sup>54</sup> While German leadership continues to seek dialogue with Russia regardless of Russian actions, they have received pushback from EU allies

about the “dialogue above all” approach. One recent example occurred in June, when a Franco–German proposal for an EU summit with Russia was scrapped when eastern member states objected.<sup>55</sup>

**Energy Coercion.** One of the major areas of discussion with Putin on Chancellor Merkel’s first Moscow trip 15 years ago was Russia’s energy coercion against Ukraine.<sup>56</sup> That the issue would remain unresolved—and abetted by Merkel’s policy decisions—is a stark reminder that efforts to render Russia a responsible, if quarrelsome, global actor have proved fruitless. Instead, during the past two decades, Russia revanchism was metastasized, including aggression against Germany.

In June, Thomas Haldenwang, who heads Germany’s *Bundesamt für Verfassungsschutz* (Federal Office for the Protection of the Constitution, or BfV) domestic intelligence agency, stated that Russian intelligence activity in the nation had increased significantly and is now similar to Cold War levels, and that their “methods are becoming rougher and the means more brutal.”<sup>57</sup> Russia has been accused of assassinating a former Chechen rebel commander in a Berlin park in 2020,<sup>58</sup> one of a series of brazen assassinations against dissidents or anyone who crosses the Kremlin. Such attacks have taken place in various cities across Europe and the U.S. during the past decade-and-a-half.

Russian aggressive espionage efforts against Germany also continue. In February 2021, a German national was arrested on espionage charges for allegedly giving blueprints and building plans of the Bundestag to a Russian intelligence officer working out of the Russian embassy.<sup>59</sup>

Germany has also recently been revealed as a new theater of attacks on American officials from U.S. adversaries—very likely Russia. In August, reports emerged that two U.S. officials working in Germany were experiencing symptoms of the so-called Havana Syndrome.<sup>60</sup> The attacks have also reportedly targeted U.S. officials working in nearby European nations. For example, around 20 U.S. officials in Austria are thought to have been attacked, most of them working as intelligence officers.<sup>61</sup> The two officials confirmed in the German case were reported to be “intelligence officers or diplomats working on Russia-related issues such as gas exports, cybersecurity and political interference.”<sup>62</sup> Russia is widely suspected of being behind the attacks, which are likely caused by a form of directed-energy weapon.

The most successful aspect of German policy toward Russia under Chancellor Merkel was Germany’s leadership in the EU enacting, and more importantly, maintaining, sanctions against Russia over its invasion of Ukraine and annexation of Crimea. In July 2021, the EU extended Russian sanctions because of its continued aggression against Ukraine through

January 31, 2022.<sup>63</sup> In March, German Foreign Minister Heiko Maas even raised the possibility of coordinating future joint U.S.–EU sanctions against China and Russia.<sup>64</sup>

The longevity of the EU’s sanctions response is due in no small part to Chancellor Merkel. Less successful regarding Ukraine has been the Normandy format seeking to settle the ongoing war in the Donbas region of Ukraine. The Normandy format counts France, Germany, Russia, and Ukraine as participants. Russia brazenly violates the Minsk agreements,<sup>65</sup> and the war in Ukraine continues unabated, having claimed more than 14,000 lives since 2014.<sup>66</sup>

The failure of the West to frustrate Russian policy and geopolitical aims, and Russia’s continued targeting of Western elections and public opinion have strengthened Putin’s hand. As one recent analysis noted:

Russia immunizes its political system from Western influence, even as Russia itself can and does influence Western systems. Merkel and [French President Emmanuel] Macron are acutely aware of it in this German election year and French pre-election year. The German and French position, therefore, is far weaker vis-à-vis Russia today than it was in 2014, when the Normandy forum was born. Russia’s leverage has, since then, increased continuously over its Normandy counterparts in the wider strategic context...outside the forum itself.<sup>67</sup>

Putin has proven himself capable to taking advantage of opportunities that present themselves. A weak U.S. Administration, reeling from a debacle in Afghanistan, coupled with stasis in Berlin stemming from the end of Merkel’s term in office and what is likely to be a drawn-out coalition-building process, is surely viewed in Moscow as a window to test the West.<sup>68</sup> Regardless of who the next German chancellor is, the U.S. maintains an interest, alongside Germany, in ensuring a robust NATO, supporting Eastern European allies, and enacting consequences on Russia for actions that the West deems unacceptable.

## German Relations with China

The Merkel government’s prioritization of dialogue with Russia also applies to its relations with China. As one analyst recently described, “Merkel presided over a period of rampant German investment and trade with China, and closer political ties with Beijing, establishing a ‘comprehensive strategic partnership’ between the two countries and introducing annual meetings of top cabinet officials.”<sup>69</sup> Economic ties between Germany

and China define the relationship. In 2020, China was, for the fifth year straight, Germany's largest trading partner.<sup>70</sup> The U.S., by comparison, was Germany's third-largest trading partner behind China and the Netherlands.<sup>71</sup>

Large German companies have continued investing with China—notwithstanding China's atrocious human rights record and the myriad intellectual property and market share risks taken on by those doing business in China. BASF, the world's largest chemical producer, in May 2020 began construction on a plastics factory in China's southeastern Guangdong province. The \$10 billion factory, scheduled to be operational in 2022, is the company's largest-ever investment and will be BASF's third-largest site worldwide.<sup>72</sup>

**Germany's Automotive Industry.** Germany's important automotive industry (which employs 12 percent of Germany's manufacturing labor force<sup>73</sup> and generates nearly one-quarter of total domestic industry revenue<sup>74</sup>) is particularly entwined with China. Every third car produced by German manufacturers is sold in China,<sup>75</sup> with more German-brand cars now produced in China than in Germany.<sup>76</sup> The automotive-sector investments in China seem unlikely to abate anytime soon. In September 2020, Volkswagen and its three Chinese state-owned joint venture partners announced plans to invest \$17.44 billion between 2020 and 2024 in China to “build 15 different battery [sic] electric or plug-in hybrid models in China by 2025.”<sup>77</sup>

German car manufacturers' growing reliance on the Chinese market (a reliance exacerbated further by the pandemic<sup>78</sup>), may end up being a Faustian bargain as German industry seeds strong future competitors. To wit:

Chinese manufacturers are also highly successful in quality terms, because high-end Chinese cars are similar in quality to those produced in Europe, and they are cheaper. This is leading to fears of a replacement of German manufacturers, who could suffer from crowding out of the Chinese market once the technology sought by their Chinese counterparts has been fully mastered.<sup>79</sup>

China has targeted, in particular, German medium-sized manufacturers: “Chinese people have a strong view that the basis of the German economy is not the large listed companies, but middle-sized businesses that are ahead in technology.”<sup>80</sup>

**Fighting for Market Share.** In many cases, German industry is being cannibalized by Chinese rivals it once partnered with, fighting for market share in China as well as across advanced economies in Europe. “The EU's advanced economies are important destinations for China's state-owned

and private corporations seeking new sources of technology and know-how to help drive their competitiveness and China's domestic modernization."<sup>81</sup> As China moves into more advanced manufacturing sectors, it has become a German competitor in sectors that German companies have previously dominated. For example, "Germany's share of world trade in mechanical engineering goods—a sector that employs about 1.3 million Germans—shrank to 16.1% from 19.2% in the decade through 2018, while China's share rose to 13.5% from 8.5% over the period."<sup>82</sup>

China's Made in China Strategy 2025, announced in 2015, is a "state-led industrial policy that seeks to make China dominant in global high-tech manufacturing. The program aims to use government subsidies, mobilize state-owned enterprises, and pursue intellectual property acquisition to catch up with—and then surpass—Western technological prowess in advanced industries."<sup>83</sup> This strategy has focused Chinese investments in targeted sectors, one of which has been the German transport and technology sector:

More than 21 billion US dollars has [sic] flowed into the transport sector over the past 15 years (up to 2019), nearly 6.5 billion US dollars of which came from state-owned enterprises (SOEs). Over 90 percent of the money has been invested in the last five years, i.e., since the announcement of the Made in China Strategy 2025 in 2015.<sup>84</sup>

The undercurrent of continued growth in German trade relations with China is powerful, driving the nation's political approach toward Beijing; however, it is not insurmountable. One recent analysis noted:

An exaggeration of Europe's economic dependence on the Chinese market has facilitated China's rise as an economic competitor. Revenues for European companies in China are impressive, but European governments have fallen out of touch with the core of their economic competitiveness and welfare.<sup>85</sup>

**Screening FDI.** In 2020, Germany was the largest destination for Chinese foreign direct investment (FDI) in Europe (30 percent of Chinese FDI to Europe).<sup>86</sup> In recent years, Germany has been progressively tightening laws and regulations regarding screening of foreign investments and acquisitions. The most recent amendment, adopted in April 2021, added 16 new sectors that are subject to a mandatory reporting requirement for non-EU investor acquisitions of greater than a 20 percent share of voting rights. New sectors include "artificial intelligence, autonomous driving, semiconductors, optoelectronics, and quantum technology."<sup>87</sup>

The EU's efforts to promote better screening mechanisms have been clumsy and ineffective. As Heritage Foundation expert Ted Bromund wrote in 2020:

The EU has adopted a framework for screening foreign direct investment. While this framework has regularly been compared to the Committee for Foreign Investments in the United States (CFIUS), the reality is that the EU's framework bears no similarities to CFIUS in form or likely effectiveness. In fact, the EU's framework is riddled with weaknesses and perverse incentives.<sup>88</sup>

Screening mechanisms adopted by nation-states in Europe will therefore continue to be determinative. As such, the U.S. should continue to communicate with Germany to recommend refinements to its existing screening mechanisms, while working alongside its German allies to press European nations with less stringent screening tools to bolster theirs.

**The CAI.** In December 2020, the European Commission and China reached a Comprehensive Agreement on Investment (CAI). Chancellor Merkel was the driving force behind the ill-conceived agreement,<sup>89</sup> which she viewed as the capstone of her tenure in office and the culmination of her Chinese engagement strategy. The agreement was concluded after the personal intervention of former Chinese President Xi Jinping, and was a diplomatic slap in the face to the soon-to-be-inaugurated President Biden—as well as a thinly veiled effort by China to drive a wedge between Europe and the U.S.

Miscalculations from Beijing over tit-for-tat Chinese sanctioning of EU politicians and entities (in response to EU sanctions against Chinese officials responsible for abuses against the Muslim majority Uighur population in Xinjiang<sup>90</sup>), however, led the EU Parliament to freeze ratification of the CAI in May.<sup>91</sup> While this helpful interlude can allow Europe to reassess its approach toward China, the U.S. should not make the mistake of believing the CAI is dead and buried.

In July, China asserted that Chancellor Merkel and President Macron expressed continued support for the CAI, although French and German readouts of the discussion were vaguer.<sup>92</sup> While Merkel and Macron have been cagey about their current support for the CAI, it remains a clear priority of Xi Jinping and, as such, the U.S. should remain on its toes seeking to convince the EU to conclusively reject the CAI, and for Berlin to withdraw its support.

**Chinese Espionage and Influence.** Germany's economic reliance on the Chinese export market is not the only cause for concern. Chinese

spying in Germany is also on the rise. For instance, German intelligence estimates that since 2017, Chinese authorities have attempted 10,000 LinkedIn recruitments seeking German citizens to serve as spies.<sup>93</sup> In July 2021, a former head of the politically influential and CSU-affiliated Hanns Seidel Foundation was arrested on charges of being a Chinese spy for over a decade.<sup>94</sup>

Chinese influence operations are another cause for concern. In one example, Germany has 18 Confucius Institutes operating in the country.<sup>95</sup> Anja Maria-Antonia Karliczek, German Minister of Education and Research, remarked in July, “I don’t want China to influence our universities and society,” and “Germany has to concede self-critically that in the past, in some respects, we have given the ‘Konfuzius-Institute’ too much leeway and done too little ourselves to develop independent expertise on China in Germany.”<sup>96</sup>

The tide may be turning. In April, the University of Trier suspended the activities of the Confucius Institute on its campus.<sup>97</sup> Germany has also recently announced plans to invest \$14 million to develop further Chinese expertise in higher education institutions that are independent of Chinese influence and funding.<sup>98</sup>

**Chinese Propaganda.** Germany is a consistent target of both Chinese and Russian propaganda efforts. Both adversaries have sought to utilize openings and frictions created by the COVID-19 pandemic to undermine Western cohesiveness. One false news story, circulated in April 2020, during the height of the pandemic, accused the U.S. of confiscating a shipment of personal protective equipment bound for Germany and rerouting it to the United States. Andreas Geisel, then Berlin Secretary of Interior, even accused the U.S. of “modern piracy.”<sup>99</sup> The false story was meant to sow distrust and anger at the U.S. and to drive a wedge between transatlantic allies.

The coronavirus pandemic has highlighted the threat of propaganda in Europe spread by the Russians and the Chinese, who seek to create new—and exacerbate existing—divisions, while casting themselves as selfless benefactors and generous nations that deserve transatlantic trust. Efforts in Europe to push back against disinformation are understaffed and underfunded. Furthermore, a reticence to address Chinese disinformation lingers, at times hampering an honest accounting of and reaction to propaganda. For example, language about Chinese disinformation regarding COVID-19 was, in an April EU report,<sup>100</sup> reportedly softened in the final version at the behest of Josep Borrell, the EU’s High Representative of the Union for Foreign Affairs and Security Policy.<sup>101</sup>

**5G Network Rollout.** China’s role in the buildout of Germany’s 5G network is another contentious issue that the next government will tackle. In April, the Bundestag passed the IT Security Law 2.0. The law “restricts the role of ‘untrustworthy’ suppliers of 5G technology and requires telecoms operators to notify the government if they sign contracts for critical 5G components. It also gives the government powers to block them.”<sup>102</sup> The government had intended to take a softer line on Chinese involvement in the nation’s 5G rollout. In 2019, Chancellor Merkel even reportedly sought assurances from China regarding a “no-spying” pact<sup>103</sup> in exchange for allowing Chinese companies to take part in the nation’s 5G rollout.

A parliamentary revolt, particularly from members of Chancellor Merkel’s own party, stiffened the final legislation. The Interior Ministry now will need to sign off on the installation of critical 5G components, as well as new contracts for critical components.<sup>104</sup> Planned critical components can be banned on the grounds of “foreseeable impairments of public security and order.”<sup>105</sup> In addition, the legislation stipulates that new 5G critical components “have to match ‘security policy goals’ of Germany, the EU, and NATO.”<sup>106</sup> While far more robust than initially proposed, Germany’s 5G legislation stops short of banning Chinese vendors altogether. Furthermore, the degree of implementation of the legislation will be largely left to the discretion of the next government.<sup>107</sup>

Any involvement of Chinese state-owned companies in Germany’s 5G telecommunications infrastructure should be considered a national security risk. As The Heritage Foundation has explained:

All Chinese companies are legally required to ‘support, assist, and cooperate with national intelligence efforts,’ and government intelligence agencies are legally allowed to forcibly gain access to any server or data stored within the nation’s borders. This means that, regardless of a company’s active complicity in spying, the only safe assumption is that any information collected by Chinese companies and held on Chinese servers will be exploited by the Chinese government.<sup>108</sup>

The Merkel government has prioritized relations with the U.S. over those with China—but still has assiduously sought to blaze an independent policy on China, eschewing Washington’s efforts to form a united front, especially during the Trump Administration.

Chinese overreach, combined with a soon-to-be new government in Berlin, present the U.S. with a window of opportunity. There is scope for alignment on Chinese human rights abuses, infiltration and co-option of

international organizations, intellectual property theft, Chinese investments in the West's critical sectors, Chinese propaganda and misinformation, and the need to push back against China's dubious claims to large swathes of the South China Sea. Germany's economic interconnectedness with China means that changing Germany's policy direction will be more akin to a slow but deliberate tack rather than a swift reversal.

**Winds of Change?** There is support for change in direction within Germany. The German public is in fact more wary of China's influence in global affairs than is the American public.<sup>109</sup> Politically, the makeup of the next cabinet will be influential in determining how closely Germany begins to align with U.S. policy priorities vis-à-vis China, with scenarios indicating a government that will take a more robust stance on Chinese abuses.<sup>110</sup>

Recently, there have been additional signs that Germany is moving toward embracing a more confrontational approach toward China. In August, Germany deployed the frigate *Bayern* on a six-month deployment that will see the vessel make port calls in Djibouti, Karachi, Diego Garcia, Perth, Guam, and Tokyo.<sup>111</sup> The *Bayern* will take part in NATO's Operation Sea Guardian in the Mediterranean, the EU's anti-piracy mission Atalanta off the African coast, and a monitoring mission off North Korea enforcing sanctions.<sup>112</sup>

The *Bayern's* deployment is the first time in two decades that Germany has sent a naval warship to the Indo-Pacific.<sup>113</sup> Plans to traverse the South China Sea in a freedom of navigation operation has drawn the ire of China, leading to the cancellation of a planned port call in Shanghai.<sup>114</sup> While the deployment sends an important message in the face of Chinese threats, the state of the German military means that it has also entailed significant strain. One analyst noted the deployment came "at the price of gutting the fleet,"<sup>115</sup> with ship maintenance plans and training schedules altered to accommodate the *Bayern* mission.<sup>116</sup>

## Pushing Toward Further Alignment on Challenges

The upcoming change in Germany's leadership presents the U.S. with a window of opportunity to encourage Germany to tack toward the U.S. approach on addressing the challenges of China and Russia. While the U.S. should have no illusions about complete alignment, Chinese and Russian overreach, combined with the exit of Chancellor Merkel, suggest there is room for guarded optimism that Germany may move closer to the U.S. position on certain policy questions.

In engaging a new German government, U.S. policymakers should:

**Reiterate U.S. Commitment to Europe.** The embarrassing and bungled withdrawal of U.S. forces in Afghanistan and the lack of communication with allies have undermined views of U.S. leadership in Europe and left allies questioning U.S. resolve. President Biden should dispatch a senior official to Europe immediately to reassure allies of continued U.S. commitment to NATO collective defense—and to begin the process of repairing the damage done by President Biden’s Afghanistan withdrawal to relations with European allies.

**Encourage Germany to Meet Its Defense Spending Commitments.** While the U.S. should acknowledge the continuing trends in Germany of increased defense spending, it must also be clear that German political leaders should live up to their defense spending commitments. It is incumbent upon Germany’s next government not only to make the case for additional military spending and engagement, but also to remind the German public of the importance of the transatlantic bond for German security and economic prosperity. Military capabilities and the security they help provide are the basis of peace and prosperity. This argument must be made to the German public to overcome deep cultural and historic antipathy and hostility toward defense spending and military service.

**Make Collective Defense the Alliance’s Number One Mission.** NATO does not have to be everywhere in the world doing everything, but, according to Article 6 of the North Atlantic Treaty, “in the North Atlantic region, north of the Tropic of Cancer” it must be able to defend its members’ territory. Everything else the alliance does to advance its mission should be secondary to collective and territorial defense.

For quite some time, NATO has been grappling with divergent threat perceptions among its member states. The recent Brussels summit did nothing to reconcile or systematize these views. Instead, the alliance opted for an umbrella approach in which every threat is deemed equally acute—while adding a climate change agenda.<sup>117</sup> As NATO works on a new strategic concept, the U.S. and Germany should work to ensure that NATO retains a focus on collective defense with a clear eye on future Russian aggressions.

**Encourage Germany to Take on a Greater Role Within NATO.** According to a recent poll, 68 percent of Germans believe NATO is either very important or somewhat important for the security of the nation.<sup>118</sup> The U.S. should encourage Germany to take on a larger role within the alliance, commensurate with its economic and political heft.

**Ask Germany to Consider Sending Additional Troops and Enablers to Lithuania.** As a framework nation, Germany has sent an armored

company consisting of 583 troops to Lithuania.<sup>119</sup> Germany should signal its continued commitment to collective defense by announcing an increase in German troops taking part in this deployment. (The U.S. and U.K., also framework nations, have 691 and 828 troops deployed to Poland and Estonia, respectively.<sup>120</sup>)

Furthermore, EFP battalions should consider the security needs of the region. Some EFP host nations have called for additional assets to be added to the battalions. “It is extremely important to strengthen allied presence with long-range components, such as fire support, air defence support and on-shore (port)/off-shore components.”<sup>121</sup> The U.S. should encourage additional NATO allies to contribute to EFP battalions and insist that each have a full range of needed assets and enablers at their disposal.

**Seek a Greater German Presence in the Baltic Sea.** German naval assets, when operational, are made for operating in the Baltic Sea. As a Baltic nation, Germany should serve in a leadership role to organize like-minded allies to ensure a consistent, robust presence in the Baltic Sea.

**Work Jointly to Establish a Baltic Air Defense Mission.** NATO’s Baltic Air Policing Mission, to which Germany has contributed heavily, has been useful for policing the region’s airspace, yet more needs to be done. A robust Baltic Air Defense mission is needed to ensure that NATO can defend the region on the ground, in the air, and at sea.

**Work with the Non-NATO Nordic Countries to Improve Baltic Air Defense.** Due to their geographical location, non-NATO Finland and Sweden would form an important part of any Baltic Air Defense strategy. Washington and Berlin should work closely with Helsinki and Stockholm to ensure regional coordination and cooperation.

**Convey the Importance of German Dual-Capable Aircraft for NATO Deterrence.** NATO is first and foremost a nuclear alliance. German dual-capable aircraft are crucial components for ensuring that NATO’s nuclear forces continue providing adequate deterrence. In March 2020, Germany announced that it would purchase 90 Eurofighter Typhoons and 45 F/A-18E/F Super Hornets to replace its fleet of Tornados (Germany’s current dual-capable aircraft). The Super Hornets are planned as the replacement dual-capable aircraft. However, the Ministry of Defense’s (MoD’s) announcement is a “recommendation and not a commitment. According to MoD statements, the government currently plans to introduce supporting documents to parliament in 2022 or 2023.”<sup>122</sup>

The next German government will ultimately decide the fate of the nation’s nuclear sharing posture. The Greens and SPD are, at best, lukewarm on continued nuclear burden sharing,<sup>123</sup> and they may well oppose

its continuance if in office.<sup>124</sup> The U.S. must convey the importance of Germany's continued nuclear sharing posture for NATO collective defense and communicate to the next German chancellor the dangerous effect a German posture change would likely have on other NATO allies currently taking part.

**Push Germany to Contribute to a Regular, Rotational Presence in the Black Sea.** NATO's interest in Black Sea security is increasing, but the overall presence of non-Black Sea NATO warships is decreasing. So far, in 2021, German naval forces have not sailed in the Black Sea; in 2020, Germany spent only 10 days in the Black Sea. NATO should establish a Black Sea Maritime Patrol mission modeled on the successful Baltic Air Policing mission in order to maintain a robust NATO presence in the Black Sea in line with the 1936 Montreux Convention. Germany should commit to contribute in advance to this presence.

**Facilitate a Strong Trilateral Dialogue.** The U.S., Germany, and Poland are critical players in NATO's collective defense, and Germany and Poland are important U.S. allies. The U.S. should work toward building trilateral agreement on a range of issues from energy to Belarus to responding to migratory pressure. A well-functioning trilateral relationship will aid U.S. engagement in Europe.

**Refuse to Back Further European Union Defense Integration.** Nothing would strain the transatlantic bond more—and undermine NATO faster—than EU defense integration. The recent Afghanistan debacle has led to renewed calls by some in Europe to push for EU Strategic Autonomy.<sup>125</sup> EU strategic autonomy in defense is a chimera not a panacea.

A robust U.S.-led NATO alliance remains the only guarantor of transatlantic security. The U.S. should continue to focus on advancing a “NATO first” agenda, one that ensures American engagement and influence in European defense matters. NATO has been the cornerstone of transatlantic security for almost seven decades. It affords the U.S. a level of influence in the region commensurate with the number of troops, equipment, and funding the U.S. commits to Europe.

**Constrain Russia's Ability to Attack the West.** The Merkel government's dialogue-always approach toward Russia has yielded little—and may have furthered Putin's view that there is little he can do that will stop pragmatic cooperation with Germany. The U.S. should seek to move its allies toward a policy of Russian constraint, bolstering collective defense and societal resilience while imposing severe costs on Russia for undesirable actions, thus incentivizing Putin to choose less aggressive paths.

For instance, the U.S. should work with its German allies to ensure the continuance of EU sanctions against Russia regarding its continued

aggression against Ukraine. The U.S. and Germany should also clearly and publicly attribute to Russia those aggressions it commits on European soil with increasing regularity and recklessness (for example, assassinations, cyberattacks, suspected Havana Syndrome attacks, and attacks against NATO allies' defense infrastructure in Bulgaria and the Czech Republic).

**Make the U.S. Position on Nord Stream 2 Clear to the New German Government.** The pipeline will not be fully operational before German elections are held on September 26. It remains unclear who will become the next chancellor and how long it will take for a new government to form. Regardless, the U.S. should make clear to the new chancellery that it views the pipeline as an unacceptable geopolitical danger—and work with the new government to ensure that NS2 never becomes operational. At a minimum, the U.S. must add some enforceable actions to a laughably weak Biden–Merkel agreement.<sup>126</sup>

**Buttress Ukraine During an Especially Risky Time.** The imminent completion of Nord Stream 2, coupled with a loss of global confidence in the U.S. following a disastrous withdrawal from Afghanistan, has left Ukraine in an especially imperiled position. Unfortunately, the agreement the Biden Administration and Merkel chancellery negotiated over the heads of the rest of Europe, including those Eastern European allies most impacted, will not suffice to insulate allies like Ukraine from Russian malfeasance.

The U.S. should encourage Germany to bolster its paltry pledges of support to Ukraine in the Biden–Merkel agreement and work toward an agreed commitment of robust responses to the energy pressure on Ukraine, which is sure to come once NS2 is up and running.

**Speak with a United Voice on Chinese and Russian Abuses.** The U.S. and Germany must be clear, consistent, and timely in calling out Chinese and Russian human rights violations. Failing to do so, making exceptions to, or watering down criticism to ease business dealings, or—in the case of China—securing never-to-be-realized climate change mitigation promises is a mistake. The West's moral standing rests upon this consistency and unequivocalness.

One area in which the U.S. and Germany should be actively working is to build pressure on the International Olympic Committee to postpone or move the 2022 Olympics from Beijing<sup>127</sup> because of Chinese abuses. If that approach is unsuccessful, then, as The Heritage Foundation's Olivia Enos recommends, the U.S. and its allies should “pursue an alternative diplomatic boycott where participants send only government officials to the extent necessary to guarantee the safety of athletes participating in the Olympics.”<sup>128</sup>

**Look for Ways to Aid Allies Facing Pressure from Belarus' Use of Weaponized Migration.** Belarus is weaponizing migrants against its neighbors in response to Europe's condemnation and sanctions over an illegal diversion of a RyanAir flight in June to arrest a political opposition leader on board. Belarus is advertising and helping to transport migrants from Afghanistan, Iraq, and Pakistan to Minsk for a nominal fee, then transporting them onwards across the borders of neighboring Latvia, Lithuania, and Poland. Border guards and military from Belarus are actively aiding migrants' passage into neighboring countries and have even illegally crossed borders themselves while pushing migrants.<sup>129</sup>

Belarus President Alexander Lukashenko's use of human migration is a form of hybrid warfare straight from Vladimir Putin's book, Russia having previously weaponized migration from Syria against Europe. Western European nations like Germany, which are nearly always the intended destination of migrants, should aid Eastern European allies in stemming the migrant flow via intelligence sharing, offers of manpower to help police their borders, and/or assistance in building new border walls.

**Work with Germany to Reform International Organizations Suffering from Malperformance and Corrosion.** The Biden Administration has chosen to rejoin organizations such as the World Health Organization<sup>130</sup> and reengage with other international organizations and entities<sup>131</sup> without conditions—thus giving up crucial leverage to secure reforms.

The U.S. must now couple this decision to reengage with a concerted effort to work with allies including Germany, a nation which greatly preferences multilateralism in its foreign policy approach, to press for needed reforms and to curtail the corroding influence of nations like China, which have calcified over time and are progressively distorting the ability of these institutions to carry out their missions effectively and responsibly.<sup>132</sup> Tangible reforms of international organizations, which both current governments view as central to their foreign policy approaches, could be an important plank of agreement and collaboration between the U.S. and Germany.

**Convince Germany to Slam the Door Shut on the CAI.** While on ice for now, the CAI is far from dead and buried. The agreement is a deeply flawed approach to the threat from China that would significantly hamper future transatlantic cooperation if it were ratified.<sup>133</sup> The CAI would further tie the economies of the EU to China, undermine transatlantic security, and blunt U.S. efforts to form a united transatlantic front against China.

Rather than settle on a supposed “third way” that rests upon Chinese commitments of dubious value, the U.S. should work to convince the new German government to withdraw support from the CAI and instead focus on a united approach toward China in areas on which the U.S. and Europe have shared interests.

**Continue to Raise U.S. Concerns About the Role of Chinese IT Giant Huawei in the German Telecommunications Sector.** The U.S. and Germany have an interest in ensuring that secure communications and intelligence sharing are not jeopardized. Chinese government-controlled companies securing a foothold in Germany’s 5G telecommunications networks would be a clear national security risk. Current German law gives the government “the ability to veto the procurement from untrustworthy suppliers.”<sup>134</sup>

Ultimately, the extent to which untrustworthy Chinese vendors are kept out of Germany’s 5G network will be a question of political will for the next government. Pressure will be immense, both from powerful business groups and from China itself. (Huawei’s European headquarters is in Dusseldorf and will undoubtedly be utilized as a pressure lever on the new government.) The U.S. should make clear to its German counterparts the necessity of secure 5G networks so that continued robust intelligence-sharing and security cooperation are not undermined.

**Stand with Lithuania over Chinese Bullying.** China has sought to isolate and target smaller nations with which it has disputes rather than attacking larger, more powerful nations. Recent examples include the Czech Republic in 2020 following a signed sister-cities agreement between Prague and Taipei, which set off a furious reaction in Beijing.

A more recent example is China’s targeting of Lithuania. Lithuania withdrew from China’s 17+1 initiative in May and recently opened “a representative office in Taipei under the name Taiwan.”<sup>135</sup> The U.S. and Germany have given diplomatic support to Lithuania over Chinese pressure.<sup>136</sup> Not only should this continue, but the U.S. should encourage Germany and other allies with representative offices in Taipei to rename them, providing strength in numbers—for instance, by renaming the “German Trade Office Taipei” the “German Trade Office Taiwan.”

**Rally German Support for the Three Seas Initiative (3SI).** Launched in 2016, 3SI aims to improve trade, infrastructure, energy, and political cooperation among the 12 nations bordering the Adriatic Sea, the Baltic Sea, and the Black Sea. A strong, prosperous, and secure Eastern Europe is in the mutual interest of Germany and the U.S. The 3SI strengthens transatlantic business, energy, and geopolitical ties and improves the region’s

infrastructure, all while counterbalancing Chinese and Russian efforts to make regional inroads.

The Biden Administration should keep the U.S. pledge to match Three Seas Initiative Investment Fund contributions up to \$1 billion and encourage Germany to make a similar, matching contribution to those of the U.S.

**Renew and Maintain a Focus on the Western Balkans.** The COVID-19 pandemic has only deepened trends already underway in the Balkans. Russia continues a campaign of interference, pressure, and propaganda with the aim of regional destabilization. China is leveraging investment funding, pandemic aid, and propaganda to garner a greater pool of influence. A need for vaccines has opened the door wide for China and Russia in nearly every Western Balkan nation.

The U.S. and Germany share an interest in a stable Balkans with nations that have a clear pathway to greater prosperity and a better future. Keeping the door open for the region's long-term transatlantic aspirations is critical, with the U.S. and Germany working to ensure it remains an accessible pathway for Western Balkan nations.

**Bolster Investment Screening Mechanisms in Europe.** Acquisitions by adversarial powers in European nations will impact the U.S. Examples abound, such as the acquisition of infrastructure like ports or airfields that are necessary for reinforcing Europe in the case of a major conflict; acquisitions of companies working on advanced technologies that would allow China to acquire valuable intellectual property instantly (leapfrogging) rather than producing it from scratch domestically; or simply the accumulation of acquisitions that give China greater political clout in a European country. The U.S. should seek to push allies to adopt more stringent national investment screening mechanisms.

**Galvanize a Necessary Conversation Around Securing Crucial Supply Chains.** The COVID-19 pandemic has underscored a reality that many policymakers were already becoming aware of, that is, the need to safeguard crucial supply chains. The U.S. and Germany should be talking alongside important allies such as the United Kingdom about ways to direct components critical to national security away from unsecure producers and back toward trusted suppliers.

The greatest asset the U.S. has for breaking its dependency on China for critical components and materials is its network of alliances. The need to re-shore select key manufacturing components to safeguard the efficacy of our defense capabilities is a conversation the U.S. should be having in earnest with allies such as Germany.

## Conclusion

Despite recent policy disagreements, the U.S. and Germany remain close allies, and it is in the interest of the U.S. to seek out areas of new cooperation with whomever becomes the next chancellor of Germany. American policymakers should approach the bilateral relationship with respect, focusing on policy areas in which there is synergy with Germany (such as security for the Baltic region), while also seeking to move Berlin toward greater alignment with Washington on responding to the myriad threats from China and Russia.

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