

Background

No. 1907
January 11, 2006



Published by The Heritage Foundation

After Schroeder: U.S.–German Relations in the Merkel Era

John C. Hulsman, Ph.D., and Nile Gardiner, Ph.D.

The election of Angela Merkel as Germany's new chancellor and the departure of Gerhard Schroeder provide an opportunity for Washington and Berlin to lay the groundwork for greater cooperation in the war on terrorism and in international efforts to address the growing threat from rogue regimes such as Iran and Syria. Merkel's ascendancy will pave the way both for an easing of tensions between Germany and the United States in the wake of the Iraq war and for a modest warming of relations.

However, the Merkel chancellorship will not herald a fundamental transformation of the U.S.–German relationship. Washington must not raise its expectations too high with regard to relations with Germany in the post-Schroeder era.

Merkel's own ability to act on the international stage will be heavily constrained by the coalition nature of her government and the fact that members of the Social Democratic Party (SPD) hold many key positions in the new German government. There also exists a huge degree of uncertainty regarding the longevity of the Merkel government, which could even collapse in the next two years amid political infighting. New elections returning the SPD to power in the near future remain a distinct possibility.

It should also be acknowledged that Angela Merkel is no Margaret Thatcher. Merkel has so far demonstrated no appetite to push for the kind of intensive economic reform that Germany needs to reverse years of economic stagnation. Astonishingly, she has pro-

Talking Points

- There will be no renaissance in U.S.–German relations in the post-Schroeder era. Despite a more cordial relationship between the White House and the Chancellery under Angela Merkel, the underlying policy tensions between Washington and Berlin will remain.
- Washington should be under no illusion that the Germany of today is the same as the Germany of Helmut Kohl or Konrad Adenauer in its approach to transatlantic relations. The United States will continue to face a German public that is overwhelmingly hostile toward U.S. foreign policy and is likely to remain so.
- Washington must adopt a pragmatic, realistic approach toward working with Germany. Realpolitik should be the order of the day. It is in the U.S. interest to engage Berlin on an issue-by-issue basis, cooperating on matters of closely aligned common interests but strongly opposing German policy in areas of disagreement.

This paper, in its entirety, can be found at:
www.heritage.org/research/europe/bg1907.cfm

Produced by the Margaret Thatcher
Center for Freedom
of the

Kathryn and Shelby Cullom Davis
Institute for International Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

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posed further tax increases as her solution to the country's economic woes.

As a committed Euro-federalist, Merkel is also a firm believer in closer political integration in Europe, despite the rejection of the European Constitution in France and Holland. She has reiterated the traditional German view that the Franco–German axis must remain the driving force of the European Union. In Merkel's words, "Germany and France, with their notions about the social market economy and globalization, should be driving forces."¹

Germany should be viewed as an important ally in some areas critical to U.S. interests, including the NATO mission in Afghanistan and the battle against al-Qaeda. However, it should also be seen as a vociferous potential opponent of U.S. interests in other key areas, including the scrapping of trade subsidies in the European Union, the EU Constitution, and the role of international institutions and treaties. It should be acknowledged that the worldview in Germany, particularly in terms of public opinion, is increasingly shifting away from that of the United States. Germany has become a largely pacifist nation, with a growing belief in submerging its national sovereignty and identity within transnational institutions such as the European Union and the United Nations.

Washington must adopt a hardnosed approach in its relationship with Germany, which is fundamentally different from the close Anglo–American special relationship. The U.S. should work with Germany on an issue-by-issue basis, cooperating with Berlin on matters of closely aligned common interests but strongly opposing German policy in areas of disagreement. Specifically, the Bush Administration should:

- **Encourage a healthy balance of power in Europe.** It is in U.S. interests that no single power bloc dominate continental Europe. The

straitjacketed Franco–German axis driven by Gerhard Schroeder and Jacques Chirac posed major problems for the U.S. in its efforts to build support in Europe ahead of the Iraq war. The Bush Administration should strongly back the new German government's efforts to implement a more flexible policy in Europe by strengthening its bilateral ties with pro-U.S. allies such as Poland and Britain.

- **Support a Europe of nation-states.** Washington should strongly welcome the death of the European Constitution in the French and Dutch referenda. A Europe in which national sovereignty remains paramount in foreign and security policy, in which states act flexibly rather than collectively whenever possible, will enable America to engage the continent most successfully.
- **Press for greater U.S.–German cooperation in the war on terrorism.** Washington should both push Berlin to adopt a more aggressive role in waging the global war on terrorism and call for a greater degree of military, judicial, and intelligence cooperation between Germany and the United States. President George W. Bush should express strong disapproval of the recent German decision to free convicted terrorist and murderer Mohammad Ali Hammadi and should seek a clear explanation of his release.²
- **Call for real reform of the EU's Common Agricultural Policy (CAP).** The Franco–German-driven CAP is the world's largest barrier to free trade, accounting for 85 percent of the world's agricultural subsidies. The CAP consumes over half of the EU budget and costs EU taxpayers roughly \$46 billion a year.³ The Bush Administration should call on Chancellor Merkel to push for trade liberalization by the EU and advance the reform process for a trade pol-

1. Toby Helm and Colin Randall, "Merkel Alarms Blair over EU Constitution," *The Daily Telegraph*, November 24, 2005.

2. For background, see Nile Gardiner, Ph.D., "Germany's Strategic Error in the War Against Terrorism," Heritage Foundation *WebMemo* No. 953, January 4, 2006, at www.heritage.org/Research/Europe/wm953.cfm.

3. See Sara J. Fitzgerald and Nile Gardiner, Ph.D., "Achieving Trade Liberalization: Why the U.S. Should Challenge the EU at Cancun," Heritage Foundation *Background* No. 1686, September 8, 2003, at www.heritage.org/Research/TradeandForeignAid/BG1686.cfm.

icy that is hugely damaging to the United States, the developing world, and Europe itself.

The Schizophrenic CDU–SPD Coalition

Angela Merkel, age 51, became German chancellor on November 22, 2005. She is both Germany's first female chancellor and its first leader from the former East Germany.

After two months of uncertainty following the inconclusive election of September 18, 2005, which favored neither the Christian Democratic Union (CDU) nor its leftist rival, the Social Democratic Party (SPD), the two parties managed to form a government by agreeing to a Grand Coalition for the first time since 1969.

Much like Dr. Doolittle's fabled pushmi-pullu, a creature with two heads and two pairs of legs pulling in opposite directions, the governing philosophies of the CDU and SPD are hopelessly at odds. It is likely to be a government of lowest common denominators in terms of policy. Nor did Merkel, in her desperate desire to be chancellor, cut a good coalition deal—eight of the 14 ministries were given to the SPD, including the foreign affairs, finance, and justice portfolios. This is a curious result, given that the SPD “lost” the election.

Simply holding such a combustible arrangement together will consume much of the new chancellor's energy. While the Grand Coalition in theory commands 448 of the 614 seats in the Bundestag, 51 members of the coalition voted against Merkel's becoming chancellor even after the CDU–SPD agreement was signed—not a good omen for political stability. As new SPD Chairman Matthias Platzeck put it after the coalition agreement was signed, “This is a sober marriage of convenience.”⁴

It is impossible to escape the conclusion that the new CDU-led Grand Coalition is unlikely to accomplish very much. This definitely puts a spanner in the works for the Bush Administration. As Samuel Johnson put it, a second marriage is the triumph of hope over experience. There is little doubt

that the Bush Administration is hoping for a second U.S.–German union, following the separation over the Iraq war. However, given the election results, for improved German–American relations to work, expectations must be realistic; currently, they are not. The worst fate that could bedevil the U.S.–German union is a false sense of expectation.

The Ghost of Schroeder in Foreign Policy

Merkel's ability to distance herself clearly from the foreign policy of her socialist predecessor will be limited, with one or two notable exceptions (such as the policy toward Russia) on which opinion in the SPD is divided. It is striking that some of the most important portfolios in terms of U.S. interests, including foreign affairs and economic policy, are held by remnants of the Schroeder government, which could barely disguise its contempt for the Bush Administration.

Schroeder's influence will undoubtedly continue through the presence in the new cabinet of Frank-Walter Steinmeier, his closest adviser and long-time protégé. Steinmeier, who was Schroeder's chief of staff, took over from Joschka Fischer as Germany's foreign minister, widely regarded as the second most powerful position in the German government. Steinmeier was extremely influential in shaping Schroeder's international outlook and has pledged “continuity” in German foreign policy, telling Fischer at his inauguration ceremony: “Joschka, I will ensure that we continue where we left off.”⁵

German Policy on the World Stage

The new Merkel government has pledged to strengthen Germany's ties to the United States and reduce tensions between Berlin and Washington after the disastrous period in U.S.–German relations since 2002. However, the CDU–SPD government has signaled that it does not foresee a significant shift in policy on most of the key issues that divide the two countries, including Iraq, strategies for waging the war on terrorism, EU expansion to include Turkey, reform of the U.N. Security Council, legitimacy

4. Craig Whitlock, “Germany's Grudging ‘Grand Coalition,’” *The Washington Post*, November 15, 2005, at www.washingtonpost.com/wp-dyn/content/article/2005/11/14/AR2005111400832.html (January 6, 2006).

5. “Backroom Adviser Steps Out of the Shadows,” *Financial Times*, December 6, 2005.

of the International Criminal Court, and implementation of the Kyoto Protocol on Global Warming.

Those expecting a renaissance in U.S.–German relations after the fall of Schroeder will likely be disappointed. While the relationship between the White House and the Chancellery will be more cordial, the underlying policy tensions will remain. The United States will also continue to face a German public that is overwhelmingly hostile toward U.S. foreign policy and likely to remain so. Many Germans now see America as a threat to world peace rather than the defender of international security and democracy. In a major 2005 poll conducted for the German Marshall Fund and the Compagnia di San Paolo, 60 percent of Germans stated that it was “somewhat undesirable” or “very undesirable” for the United States to “exert strong leadership in world affairs.” Just 5 percent believed that U.S. leadership was “very desirable.”⁶

Despite her strong support for the Iraq war, a hugely unpopular position in Germany, Angela Merkel has pledged not to send German troops to Iraq. The deployment of German troops to the Middle East would be a political earthquake that would instantly split the coalition, causing the fledgling government to collapse. It would also be strongly opposed by many in her own party.

Instead, Merkel will continue the Schroeder government’s policy of supporting Iraqi stabilization and reconstruction efforts without a direct military footprint inside Iraq. Germany has trained Iraqi

civilian police and units of Iraqi engineers in the United Arab Emirates since May 2004. In addition, Germany has provided \$200 million in reconstruction funds and forgiven 4.7 billion euros in Iraqi debt.⁷ Merkel has also pledged continuing German support for the NATO-led International Security and Assistance Force (ISAF) in Afghanistan, which includes 1,600 German troops.

Like Schroeder, Merkel will be a strong supporter of supranational institutions such as the United Nations and the International Criminal Court, as well as lofty global conventions such as the Kyoto Protocol. Foreign Minister Steinmeier has given the U.N. notice that the new German government will aggressively pursue a permanent seat on the Security Council as part of the Group of Four (G-4) nations, which includes India, Japan, and Brazil.⁸ So far, the United States has signaled support for Japan’s application but has strongly opposed the broader G-4 application, which will likely be a significant source of tension between Washington and Berlin in 2006.⁹

Germany and the War on Terrorism

In the war on terrorism, President Bush should find in Merkel a significant, though at times critical, ally on the international stage. The White House should not anticipate another Tony Blair, who has emerged since September 11 as an eloquent and powerful world leader in the fight against al-Qaeda.

U.S.–German cooperation in the battle against global terrorism—especially with respect to intelli-

6. German Marshall Fund of the United States and Compagnia di San Paolo (Italy), “Transatlantic Trends 2005: Topline Data,” p. 4, at www.transatlantictrends.org/doc/TTToplineData2005.pdf (January 6, 2006).
7. German Embassy, Washington, D.C., “Fact Sheet: Germany and America—A Strong Alliance for the 21st Century,” November 12, 2004, at www.germany-info.org/relaunch/info/archives/background/bilateral_factsheet_2004.pdf (January 6, 2006), and “Fact Sheet: German Aid for the Stabilization and Reconstruction of Iraq,” March 11, 2005, at www.germany-info.org/relaunch/info/archives/background/Factsheet_German_Iraq_march2005.pdf (January 6, 2006).
8. United Press International, “Merkel Revives UN Seat Demand,” November 30, 2005. See also Associated Press, “German Foreign Minister Steinmeier Meets UN Secretary General Annan,” November 28, 2005.
9. For further background on the debate over Security Council expansion, see Nile Gardiner, Ph.D., and Brett D. Schaefer, “U.N. Security Council Expansion Is Not in the U.S. Interest,” Heritage Foundation *Backgrounder* No. 1876, August 18, 2005, at www.heritage.org/Research/InternationalOrganizations/bg1876.cfm. It should be noted that over a six-year period (1999 to 2004), Germany had the best record among leading candidates for the Security Council in terms of voting coincidence with the United States in the U.N. General Assembly, at 55 percent, compared with Japan which voted with the U.S. just 50 percent of the time. However, German support for U.S. positions at the General Assembly has been in overall decline, falling from 70 percent of votes in 1999 to 45 percent in 2004.

gence coordination—should be enhanced in the post-Schroeder era. There will, however, be tensions, especially over the U.S. rendition of terrorist suspects and allegations of CIA secret prison facilities, as well as the American detention camp at Guantanamo Bay.

Merkel has already expressed strong opposition to Guantanamo, urging Washington to shut it down. According to the German chancellor, “an institution like Guantanamo can and should not exist in the long term. Other ways and means must be found to deal with these prisoners.”¹⁰

Another major source of tension between Washington and Berlin will be Germany’s refusal, because of German opposition to the death penalty, to extradite terrorist suspects to face trial in the United States. This was highlighted by the recent decision by German authorities to release convicted Hezbollah terrorist Mohammad Ali Hammadi, whose extradition to the United States had been a long-standing request.

Hammadi, a Shiite militant from Lebanon, was convicted by a German court in 1989 of the brutal killing of U.S. Navy diver Robert Dean Stethem in the June 1985 hijacking of TWA Flight 847 from Athens to Rome. Stethem, who was singled out because he was an American serviceman, was savagely beaten before being executed and dumped by the terrorists on the tarmac of Beirut International Airport. Hammadi was sentenced to life in prison in Germany but was released in December 2005, despite strong opposition from the U.S. government, and flown back to Lebanon after serving less than 19 years behind bars.

German Strategic Thinking in Europe

Because Germany is a mid-level power on the international stage with little global projection of military might and limited strategic influence outside of Europe, its primary foreign policy focus will be relations with its European neighbors, principally France, Russia, the U.K., and Poland, not the

United States or the war on terrorism. Unlike Great Britain or France, Germany has few global aspirations, with the exception of a U.N. Security Council seat and expanding trade markets. The Germans consistently punch below their weight on the world stage despite possessing the world’s third largest economy. As Chancellor Merkel noted in a recent news conference, “by European and global standards Germany is in a state of decline.”¹¹

Germany remains a political and geographical leviathan at the heart of Europe, albeit a shrinking one, with roughly a fifth of the EU population. Together with France, it has for decades been the engine of the policy of ever-closer integration in Europe and a key driver of the “European project.” German policy in the postwar era has been overwhelmingly Euro-centric, built around the axis of the Franco–German alliance. There is little evidence that this will change under Merkel.

While Merkel has extended the hand of friendship to British Prime Minister Tony Blair and has promised an end to the freeze between the Chancellery and Downing Street that prevailed under Schroeder, it is clear that she sees France as Germany’s closest ally in Europe, and a majority of the German public shares this view. According to a July Allensbach poll, 70 percent of Germans see France as the country with which they want to cooperate most, ahead of the United States at 63 percent.¹²

London and Washington will be wooed by Berlin, but there will be no divorce with Paris. Significantly, Merkel’s first visit abroad was to France and a meeting with President Jacques Chirac. Although largely neutral in the tumultuous budget talks that marred the final weeks of Britain’s EU presidency, Merkel made no attempt to challenge France’s assertion that there should be no further reform of the CAP until 2013. By all accounts, it looks like business as usual in Europe.

The partnership between Merkel and the French president might not be as intimate as the Schroeder–

10. Richard Milne and Guy Dinmore, “Merkel Urges U.S. to Close Detention Camp,” *Financial Times*, January 9, 2005.

11. David Crossland, “Merkel Launches ‘Loveless Marriage’ to Revive Germany,” *The Sunday Times*, November 13, 2005, at www.timesonline.co.uk/article/0,,2089-1869550,00.html (January 6, 2006).

12. “Rebalancing, Not Realigning: German Foreign Policy,” *The Economist*, July 16, 2005.

Chirac romance, and there will be significant spats between the two over some issues. However, it will be a force to be reckoned with in EU politics, and if Chirac's main challenger, Interior Minister Nicolas Sarkozy, moves into the Elysee Palace in 2007, the Franco-German partnership will be further strengthened.¹³

In addition to a robust, though not entirely exclusive, partnership with France, Merkel has signaled her intention, in the spirit of Mary Shelley, to bring back to life the Frankenstein project of the European Constitution. The constitution, gravely wounded if not killed altogether by the "no" votes in the French and Dutch referenda, is very much on the new German government's agenda. In a statement soon after she came to power, Chancellor Merkel declared:

Europe needs the constitution.... [We] should not give up the constitutional treaty.... We may allow a pause for further consideration and second thoughts but we have made it very clear that we are willing to make our contribution to whatever is necessary to see the constitution come into force.¹⁴

While largely continuing the policy of the Schroeder government in her dealings with France and the European Commission, Merkel is unlikely to share her predecessor's passion for Russia and its President Vladimir Putin. She is also likely to be more aggressive on human rights issues, which will have implications for German and EU policy toward China. This is good news for the Bush Administration, which has strongly opposed European military cooperation with China.

The most significant change in German policy in Europe under Merkel is likely to be the weakening of the Franco-German-Russian axis, which Schroeder, along with Jacques Chirac, had worked hard to

develop as a counterweight to the U.S.-British alliance. According to Wolfgang Schauble, "[T]he Paris-Berlin-Moscow axis is nonsense. Many in the SPD didn't support it—it was a personal policy of Schroeder's and he won't be in charge any more."¹⁵

While Schroeder sets off into the sunset as an adviser to Russia's state-owned natural gas monopoly Gazprom, Merkel has already begun to cultivate closer ties with Poland and other former client states of the Soviet empire in Eastern Europe that remain deeply suspicious of Moscow's ambitions. In a visit to Warsaw, Merkel stated that "good, strategic relations are important to us but cannot be developed over Poland's head."¹⁶ Having grown up under the shadow of Russian tyranny in East Germany, Merkel has few illusions when it comes to dealing with the former KGB agent at the helm of the Kremlin.

Merkel is also far less enamored than Schroeder with China, the other giant of the East. Although bilateral trade with China now amounts to \$62 billion per year, she has indicated that she will place a higher priority on human rights issues in her dealings with Beijing. Schroeder, together with his French counterpart, had led efforts to lift the European Union's arms embargo on China. Merkel has refused to back China's call for a lifting of the embargo, and her new coalition has pledged that "dialogue on democracy and human rights will be intensified" within the broader "long-term strategy of partnership."¹⁷

The Illusion of German Economic Reform

Without doubt, the single most important issue facing the new Merkel government—the one upon which its political future will rise or fall—will be dealing with the stagnant German economy. Angela Merkel comes to power pledging to fix an economy characterized by moribund growth rates and a spi-

13. See "Merkel Forges Strong Bond with Sarkozy on European Issues," *Financial Times*, July 20, 2005.

14. Helm and Randall, "Merkel Alarms Blair over EU Constitution."

15. David Crossland, "Britain Is No Model, Says Merkel's Man," *The Sunday Times*, October 9, 2005, at www.timesonline.co.uk/article/0,,2089-1817180,00.html (January 6, 2006).

16. "Germany Moves to Mend Polish Ties," BBC News, December 2, 2005, at news.bbc.co.uk/2/hi/europe/4491248.stm (January 6, 2006).

17. "Merkel Toughens Stance on China Arms Export," *Financial Times*, November 12, 2005.

raling deficit. In addition, despite spending billions of euros, eastern Germany is falling ever further behind the more affluent western part of the country.

In 2005, Germany's gross domestic product grew by an anemic 0.9 percent. The German government is set to break the EU's Stability and Growth Pact for the fourth year running, posting a 2005 deficit of 3.3 percent. Even the Hartz labor market reforms, the crowning achievement of the outgoing Schroeder government, are performing as many expected they would—that is, they are not working and in some cases are actually making things worse.¹⁸ As this has been the centerpiece of the battle to reduce joblessness, it is little wonder that unemployment still stands at a formidable 11.2 percent.

Given the monumental task of righting the long-suffering German economy, it would seem that a quick start to dealing with the overriding problem—weak domestic consumption—would be in order. Instead, the centerpiece of the new coalition program—reducing the \$41 billion budget deficit—may well make things worse.

To plug the gaping hole in government expenditures, the new government is resorting to the self-defeating policy of raising taxes, which is hardly likely to encourage the cautious German consumer to spend more. Ignoring her own party's election promise to cut taxes, Merkel is instead raising the German value added tax (VAT) from 16 percent to 19 percent in 2007. In addition, earlier plans to cut corporate taxes have been shelved indefinitely. Income tax for the better off (those making above \$300,000 per year) will also be raised from 42 percent to 45 percent rather than cut as the CDU advocated during the German election campaign.

The only bright spot in this seemingly counter-productive program is that the age for retirement will be raised gradually from 65 to 67 for those workers born after 1970. However, this economic

policy will not cure what ails Germany. As Guido Westerwelle, head of the pro-business Free Democratic Party (FDP) wryly notes:

This orgy of tax increases agreed by the Grand Coalition could just as easily have been the work of the last government. We do not need new elections for that. The bottom line is that the Grand Coalition's program is not favorable to employment or the creation of jobs.¹⁹

As the CDU declared in its election manifesto, the last thing a high-tax economy such as Germany's needs is higher taxes.²⁰ Given its economic wrongheadedness, the days of the new government may already be numbered.

The election result itself was a ringing defeat for those espousing economic reform of any kind. Chancellor Schroeder's Agenda 2010, a program of tepid economic reforms, had left him deeply unpopular with the country. Following a series of local defeats in the laender (German states), in frustration, Schroeder called a snap election despite the fact that he was running around 20 points down in the polls at the time.

Angela Merkel forthrightly proclaimed that she would go even farther than the chancellor in reforming the economy. However, after her pronouncement, her approval rating also fell out of the sky. Most Germans intellectually accept that only significant reforms can save their cherished global economic position, but this election demonstrates that they are not yet emotionally ready to vote for such a change. As on so many fronts, Germany has been slow to adapt to the modern world. Rather, it wishes, like the *Titanic*, to drift slowly toward the iceberg of economic irrelevance without so much as a look ahead.²¹

Given the significant constraints imposed by the new coalition, Merkel was forced to junk much of her needed but unpopular economic program in an

18. "Report Slams Controversial German Job Market Reforms," Deutsche Welle, December 28, 2005, at www.dw-world.de/dw/article/0,2144,1837819,00.html (January 6, 2006).

19. "New Government Program Comes Under Attack," Deutsche Welle, November 13, 2005, at www.dw-world.de/dw/article/0,2144,1774359,00.html (January 6, 2006).

20. "Taxing Times," *The Economist*, November 19, 2005.

21. See John C. Hulsman, "As the Dust Settles, It's Time to Grow Up," *Handelsblatt*, September 20, 2005.

effort to come to terms with the SPD, come what may. This short-term political thinking will do Germany no economic good in the long term. American euphoria at the rise of Merkel and the demise of Schroeder should be tempered by the basic fact that the German economy is unlikely to turn around, given the government's economic program. Unless there is a radical change in policy, Merkel may not survive for long; nor can Germany be expected to play a wider global role even if the government is rhetorically more pro-American.

What the Bush Administration Should Do

In dealing with the Merkel government, the Bush Administration should:

- **Maintain a healthy balance of power.** The Paris–Berlin alliance will continue to be a dominant force in German thinking under Angela Merkel, but the Merkel–Chirac dynamic will be weaker than the Schroeder–Chirac partnership, with potential disagreements over issues such as the China arms embargo. It will be in the U.S. interest to maintain a healthy balance of power in Europe. A strengthening of collective and bilateral ties between Berlin and close U.S. allies such as London and Warsaw, as well as a firm German commitment to the NATO alliance, will enhance America's strategic influence in Europe.
- **Call for a Europe of nation-states.** The position of the Bush Administration should be clear: support for a Europe of democratic nation-states where the principle of national sovereignty is paramount and sacrosanct. Washington should offer no encouragement for resurrecting the European Constitution, which two of the EU's leading members have firmly rejected. The development of an undemocratic, centralized Europe is in the interests of neither the continent nor the United States.
- **Push for greater U.S.–German cooperation in the war on terrorism.** President Bush should

push Germany to adopt a more robust role in the global fight against terrorism, including a greater commitment to enhanced defense spending, and should call for European governments to cooperate with the United States by extraditing terrorist suspects to face prosecution in the U.S. and by classifying Hezbollah as a terrorist organization. The President should seek a clear explanation from the German government regarding the release of convicted terrorist Mohammad Ali Hammadi.

- **Increase the pressure on Iran.** Washington and Berlin should push the International Atomic Energy Agency to refer Iran's violations of its nuclear safeguard agreements to the U.N. Security Council. The United States, Germany, Great Britain, and other allies in Europe should forge an international coalition to impose targeted economic sanctions on Iran and strengthen military, intelligence, and security cooperation with threatened states, such as Iraq, Turkey, Israel, and the members of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates). Such a coalition would help to contain the expansion of Iranian power.²²
- **Encourage German economic reform.** Washington must push aggressively for Germany to adopt market-friendly policies aimed at making Germany a more competitive, open, and dynamic economy. As Germany's largest trading partner outside of Europe with bilateral trade valued at nearly \$155 billion, the United States has a huge vested interest in the German economy. Germany is also a major foreign investor in the United States, with investments worth just under \$150 billion providing 800,000 U.S. jobs.²³

A Pragmatic Relationship

Washington must adopt a pragmatic, realistic approach toward working with Germany. Realpolitik should be the order of the day. As the EU mem-

22. For further analysis of the Iranian nuclear threat and how it should be addressed, see James Phillips, John C. Hulsman, Ph.D., and James Jay Carafano, Ph.D., "Countering Iran's Nuclear Challenge," Heritage Foundation *Background* No. 1903, December 14, 2005, at www.heritage.org/Research/MiddleEast/Iraq/bg1903.cfm.

23. German Embassy, "Fact Sheet: Germany and America."

ber with the largest economy and largest population, Germany is simply too important to be ignored. It is in the U.S. interest to engage Berlin on an issue-by-issue basis, working together where agreement can be reached.

But Washington should be under no illusion that the Germany of today is the same as the Germany of Helmut Kohl or Konrad Adenauer in its approach to transatlantic relations. Chancellor Schroeder did not create anti-Americanism in Germany; he merely took advantage of it. At the philosophical level, which is most enduring, there is little doubt that a large majority of Germans do not agree with the standard American view of the world. Attitudes regarding international law, the efficacy of military force, and the significance of multilateralism could hardly be further apart, regardless of who the German chancellor or the U.S. President is, and this philosophical gulf is unlikely to be bridged.

From an American point of view, Angela Merkel's rise is a step in the right direction, but it is only a very relative evaluation. On the vital issue of Iran, as well as Germany's steering a more traditional Adenauer-like course between Paris and Washing-

ton, with Eastern Europe mattering more to Berlin than Putin's Russia, things are likely to improve.

While Merkel clearly intends to be more pro-American than Schroeder, she strongly disagrees with the United States about Turkish accession to the EU and shows no sign of bravely pushing to reform the Common Agricultural Policy, a necessity if the developing world is truly to be helped. Critically, she is trying to resurrect the EU Constitution, something that is as dead as a dodo and certainly not in American interests. Nor is any German government prepared to reverse its position on Iraq.

For the relationship to work with Angela Merkel, it is important to see it as it is, warts and all. The German-American alliance is less than it used to be, unlikely ever to be fully mended, but it is still very important to the transatlantic relationship. The United States must learn to accept these ambiguities and paradoxes if the partnership is to endure.

—John C. Hulsman, Ph.D., is Senior Research Fellow in European Affairs and Nile Gardiner, Ph.D., is the Bernard and Barbara Lomas Fellow in the Margaret Thatcher Center for Freedom, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.