

LETTER FROM BERLIN



Europe's "Humiliation"

BY KLAUS C. ENGELEN

In times of global upheaval, talking about new faces in government and other institutions from a European capital may be more relevant than in quieter times. This is especially the case for Germany and its political center Berlin, which faces relentless assaults from a new U.S. president. The way the German political, economic, and cultural elite that was brought up under the postwar "Pax Americana" feels these days is captured very well in the forthcoming issue of *Der Spiegel* magazine: "With his decision to blow up the Iran deal, U.S. President Trump has thrown Europe into uncertainty and anxiety ... Trump has humiliated Europe to a greater degree than any U.S. president before him ... To complete Europe's humiliation, Trump's new U.S. ambassador in Berlin, Richard Grenell, sent out a tweet this week demanding that German companies immediately begin winding down their operations in Iran. It sounded more like the words of a colonial

power issuing orders than those of a diplomat in an allied country."

A timely YouGov survey, commissioned by the American Council on Germany and Atlantik-Brücke, found that "about half of the respon-

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dents are convinced that the foundation of common values is eroding" (see box).

German Chancellor Angela Merkel—now beginning her fourth term—and her new Grand Coalition government team with many new political faces are confronted with a breakdown of the postwar international world order. Most of them, on both sides of the party spectrum, hope that the new American president has served as the great unifier of Europe.

As Europeans continue to struggle with the trade war threat under Trump's banner of "America First," the emerging deeper implications of Trump's decision to pull out of the nuclear deal with Iran and impose unilateral secondary sanctions on European companies and banks are causing deep economic uncertainties, challenging European governments to protect their companies and banks.

Merkel presides over a coalition between her conservative Christian Democratic Union/Christian Social Union and the center-left Social Democrats, in which key ministries such as finance and foreign affairs went to the Social Democrats.

Never before in German history have two large governing parties been led by women. The new SPD leader is Andrea Nahles, 47, who joined the party at the age of 18, had a spectacular party career, and became the first

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New Jobs, New Faces



Andrea Nahles is the first woman to lead Germany's Social Democrats.



The SPD's **Heiko Maas** is now Germany's minister of foreign affairs.



Emily Haber will become the first woman to serve as Germany's ambassador to the United States.



Olaf Scholz will serve as both finance minister and vice chancellor.



Peter Altmaier is the new economy minister and Merkel's "Mr. Fixit."



Annegret Kramp-Karrenbauer is the new secretary general of the CDU.

United Kingdom—the so-called G-3—sort out with Iran and the other signatory states such as Russia and China how the comprehensive plan of action can be saved, Maas will meet his first test by fire.

With respect to transatlantic relations, Merkel and Maas are changing some important positions. This summer, Peter Wittig, the long-time German ambassador in Washington, will move to London and be replaced by Emily Haber, the first woman to represent Germany in the U.S. capital. In her long diplomatic career, Haber has been stationed in Moscow and Ankara, but also was positioned in the Berlin interior ministry where she worked with the intelligence services and on the Iran nuclear deal.

There is a new German finance minister on the European and international stage, appearing at meetings of the Eurogroup, the International Monetary Fund, and the G-20 summits. Olaf Scholz, the former mayor of Hamburg who served as labor minister in Merkel's first grand coalition between 2007 and 2009, can be considered the most powerful cabinet member in the new administration. He succeeds

Wolfgang Schäuble, controlling the federal purse and also serving as Merkel's vice chancellor.

A former labor lawyer, Scholz is considered the most experienced and respected SPD cabinet member. For example, he successfully negotiated the new *Länderfinanzausgleich*, that is, the fiscal equalization agreement between rich and poor states in Germany. Taking his new position, Scholz made clear that on the

women at the helm of the SPD in the party's 155-year history.

Instead of entering the Merkel cabinet, Nahles took the role of parliamentary leader in the Bundestag. In this position, she hopes to have more room to concentrate on winning back working-class support after the party recently suffered the worst election results in its history.

On the SPD side, two new members of Merkel's cabinet will

assume major international roles. The SPD's Heiko Maas, 51, who served in the previous grand coalition as justice minister, took the foreign ministry with little diplomatic experience or foreign relations background. Coming from the federal state of Saarland next to the French border, he has a record as a strong defender of European integration. In the coming days and weeks, as Germany, France, and the

Transatlantic Alliance in Question

During the postwar decades, the American Council on Germany and the Atlantik-Brücke have been platforms for strengthening transatlantic relations.

One of their historic achievements was to mobilize American assistance in the difficult process of German unification against considerable obstacles. “The transatlantic partnership is indispensable in tackling today’s common challenges, but we must focus on issues that impact citizens in both of our countries,” says Council Chairman John B. Emerson, who served as U.S. ambassador to Germany.

At a recent conference in Washington, the American Council and the Atlantik-Brücke released a survey conducted by YouGov in the United States and Germany on the current challenges in the transatlantic relationship. Key findings include:

- The majority of Germans and Americans believe in common Western values. However, about half of the respondents are convinced that the foundation of common values is eroding.
- One in five Germans does not think that Europe and the United States share the same values.
- Germans and Americans agree that key common challenges are the fight against terrorism and climate change
- One-third of Americans are optimistic that a free trade agreement between Europe and the United States will be concluded under the Trump administration. Only 14 percent of Germans share this view.
- Both Germans and Americans have a declining trust in democratic institutions. Only one in five is confident

in these institutions, while one in three has little or no confidence.

The findings of the survey underline that official relations between Washington and Berlin have cooled since the election of President Trump. Chancellor Angela Merkel’s recent visit with Trump was described in *Der Spiegel* as “not so bad”—an indication of how low expectations were.

When it comes to important shared values, freedom of speech ranked highest in both countries. For Germans, the other top shared value was democracy (56 percent), privacy (33 percent), and the rule of law (32 percent), and for Americans freedom of religion (38 percent), democracy (36 percent), and the right to bear arms (30 percent).

Two-thirds of respondents want transatlantic relations to remain as they are or to become closer. Only German voters for the Left Party (32 percent) and the AfD (21 percent) are against close transatlantic exchange.

The findings on the hot trade issues are especially interesting. While more than two-thirds of Germans are pessimistic about the prospect of a free trade agreement between the United States and Europe under the current administration, more than a third of Americans (36 percent) believe that such an agreement will come about under the Trump administration. Republican voters are particularly optimistic at 53 percent.

More Americans than Germans feel that China poses a threat in terms of economic growth and security. Americans feel more threatened by fake news (44 percent) than do Germans (35 percent).

—K. Engelen

domestic budget front and in the Eurogroup when it comes to euro area rescue missions, he prefers to follow the fiscal conservative policies of Schäuble, the CDU veteran who moved to become speaker of the Bundestag.

Those who hoped that Germany’s new Social Democratic treasury chief would break with the

austere tradition of his thrifty CDU predecessor were disappointed. Also, Scholz is talking about balancing the budget and reducing structural deficits, but—according to the Grand Coalition agreement—he indicated that Germany, as the largest European economy, would be ready to come up with more financial support for the southern

euro area members should they get into a crisis.

KEEPING KEY EXPERTS

By naming Jörg Kukies, the co-head of Goldman Sachs in Germany, as state secretary in the finance ministry, Scholz met criticism from within his party, although the investment banker is a long-standing SPD member

and was active in the SPD youth organization. In an effort to not rock the boat, Scholz left key experts in their positions. Ludger Schuknecht, the finance ministry's chief economist, who came from the European Central Bank to the ministry some years ago and who also acted as sherpa for the G-20 summits, was asked to stay.

Since Berlin's finance ministry must cope with a pressing European agenda and never-ending challenges in banking and financial markets reforms, Scholz retained key department heads. Thomas Westphal was asked to remain at the helm of the

European department, and Levin Holle, who came from Boston Consulting, will stay at the helm of the banking and financial market department.

Leaving some experts in their positions didn't mean that Scholz—also serving as vice chancellor—neglected putting his own people in key positions in the ministry. No less than 41 new positions were filled in the new Scholz finance ministry.

MERKEL'S MR. FIXIT

In Merkel's conservative party camp in the new cabinet, Peter Altmaier,

59, the new economy minister, will play an important role on the European and international stage. He was the first German official whom

German Chancellor Angela Merkel and her new Grand Coalition are confronted with a breakdown of the postwar international world order.

Chancellor Merkel dispatched to the United States to try to sway the U.S. administration to rethink plans to impose tariffs on steel and aluminum imports. The *Financial Times* dubbed him "Merkel's factotum and all-purpose Mr. Fixit." No wonder the CDU/CSU majority in the coalition hopes that Altmaier will be able to give the economic affairs ministry—including its international dimension—a higher profile than it had under SPD ministers. As head of the chancellery from 2013 to 2017, Altmaier was at the center of efforts to cope with the 2015–2016 refugee crisis. He became acting interim finance minister after Schäuble took his new position as speaker of the Bundestag.

Talking about new faces with potential for higher office, there was a signal from Merkel when she presented Annegret Kramp-Karrenbauer, 55, the successful governor of the state of Saarland, as new CDU secretary general with a mission of renewing the party. Another challenge comes from the young populist, Jens Spahn, 37, whom Merkel under pressure from the party made health minister in her new cabinet. The big question remains whether Nahles, as new SPD leader, will be able to rejuvenate her party and might become, like Finance Minister Scholz, a potential SPD candidate for the chancellorship. ◆



U.S. Ambassador
to Germany
Richard Grenell

"Colonial Decree"

When Richard Grenell, President Trump's new ambassador to Germany, a few hours after getting his accreditation, tweeted: "As @realDonaldTrump said, US sanctions will target critical sectors of Iran's economy. German companies doing business in Iran should wind down operations immediately." For some German ears, this ultimatum from a U.S. diplomat sounded like a colonial decree.

Grenell's tweet caused Wolfgang Ischinger, who chairs the prestigious annual Munich Security Conference, to respond, "Ric: my advice, after a long ambassadorial career: explain your own country's policies, and lobby the host country—but never tell the host country what to do, if you want to stay out of trouble. Germans are eager to listen, but they will resent instructions." Andrea Nahles, who leads Merkel's coalition partner, the Social Democrats, assumed that "Grenell needed a bit more coaching in diplomacy." A Left Party spokesman reacted to Grenell's Twitter threat by asking the German foreign ministry "to call in the new U.S. ambassador."

In his tweets, Ischinger asked, "Is the transatlantic alliance dead? If one side refuses to even consider the arguments presented by the other side: are we still together, as we try to manage challenges to our shared security interests? Or are we now drifting apart for good? Sad questions!"

—K. Engelen