



The United States and Germany in a Changing Geoeconomic World

Remarks prepared for State Secretary Matthias Machnig at the 2017 AICGS Symposium

Dear Dr. Janes,
Ladies and Gentlemen,

Events like this symposium create the opportunity to exchange ideas.

Ideas on

- how to strengthen our transatlantic economic relations
- how to face the challenges to an open, rule-based global economic order, and
- how to communicate the benefits of international trade.

The timing for your symposium could not be better.

Today some voices in Germany called for “resistance against Trump.”

Others recommended to simply replace the USA as our preferred global partner by India and China.

Therefore, with a view to economic interlinkages let me start with three statements which for most of you are probably self-evident:

1. The U.S. economy and the German economy have developed close ties since decades in all regards.
2. German business in the U.S. matters
3. Isolationist policies cannot be a solution – rules-based trade is.

The U.S. economy and the German economy have close ties

The U.S. is Germany’s most important export destination.

Almost 10% of our exports of goods and services are sent to the U.S.

The value of goods and services exchanged between the U.S. and Germany amounts to almost \$230 billion.

The most important sectors are automotive, chemicals and pharmaceuticals, electronics and mechanical engineering products (totaling 71 percent of the trade volume).

All it takes to show how close the ties between the U.S. and German economies are is one number:
70%

70% of German exports to the U.S. represent intra-firm transactions.

These are intermediate products and components needed in the U.S. for local production purposes.

Looking at Germany from the U.S. side:

In the ranking of the most important trading partners for the U.S., Germany ranks second when it comes to exchanging goods and services. [Nr. 1: China].

But it is not only Germany:

The EU and the U.S. combined form the largest and most integrated economic, trade, and investment relationship in the world.

The U.S. and the EU account for one third of global trade and 40% of global GDP.

Some 15 million jobs on both sides of the Atlantic depend on transatlantic trade.

These numbers clearly show: Our transatlantic economic relations are of great importance.

But trade is only one aspect in our transatlantic economic relations.

Investment—the long-term commitment of company owners to produce in another country and contribute to its economic development—is equally important.

German business in the U.S. matters – as well as American investment in Germany

More than 3.000 German companies have invested a total of almost \$320 billion in the U.S.

Not only are German companies the third-largest non-U.S. employer in the U.S., providing more than 672,000 jobs.

They are also creating new ones, and particularly in manufacturing.

The U.S. Administration has declared that it will seek to re-focus and expand the U.S. industrial sector.

German companies are supporting this initiative.

Almost half of the jobs created by German firms in the U.S. are in the industrial sector.

This makes German business the second-largest non-U.S. employer in the U.S. industrial sector.

Looking at Europe as a whole:

European companies employ two-thirds of all U.S. workers on the payroll of majority-owned foreign affiliates in the U.S.

But again: the transatlantic investment relationship is no one way street.

The U.S. is the leading investor in the EU with over 1.6 trillion Euros in investments.

More than 677,000 German workers are employed in U.S. companies that have invested more than \$100 billion in Germany.

All I am trying to say by citing these numbers:

The German-American bond is a strong connection for mutual prosperity.

Looking to the future, closer cooperation in the fields of skills and vocational training could contribute even further to mutual prosperity.

Isolationist policies cannot be a solution – rules-based trade is

However, for the transatlantic economic relations to remain a driver for economic growth and job creation, we need open markets and a stable business environment.

There have been few times in history when U.S. trade policy was so much a focus of attention, on both sides of the Atlantic.

We are closely following the developments in the U.S., and there are some we are concerned about.

Isolation is bad for everyone.

Not even the highest tariff on imports or anti-dumping tariffs will boost the American manufacturing sector.

U.S. companies are part of global value chains.

They would be the first to feel the pain from protective tariffs or a border adjustment tax.

It would cost them a great deal.

Manufacturing companies, in particular, rely heavily on imported components, parts and machinery.

The negative impact of punitive tariffs or other protective measures of this kind would be even worse for sectors like the automotive industry that send components and assemblies back and forth across national borders, for instance between the U.S. and Mexico.

In addition, changes in US trade policy can have substantial implications for the global trade environment as a whole.

The WTO has established binding rules on unfair trading practices.

Our rules-based trade system of open markets and fair competition has served all of us well.

It is important to stress: Trade is not a zero sum game.

Calling this fact into question threatens jobs and growth in all our countries.

Protectionism, new tariffs and trade barriers would be harmful for everyone.

It is therefore important to strengthen the position of the WTO and to advocate membership in the WTO.

There can be no doubt: if large trading nations, like the U.S., no longer comply with WTO rules, many others will follow suit.

In the long run, this would cause massive damage to the international trading system.

Let me be very clear: The German government very much advocates for a strong role for the WTO within the international trading system.

We are also using our G20 Presidency to make the case for the WTO.

Ladies and gentlemen,

Your symposium today is held a few days ahead of the G20 summit in Hamburg.

Later today you will be discussing policies needed for resilient economies and balanced growth.

In my view, we need to engage in closer cooperation in the fields that matter most for our future.

If we do not cooperate, others will jump at this chance and we will be left behind.

The G20 is the right forum for this.

It covers nearly two-thirds of the world's population, almost 90 percent of global GDP, and three-quarters of world trade.

The G20 has a special responsibility in global economic affairs.

And while the G20 is no formal body, does not enact legislation and does not adopt regulations, it still might be a frontrunner in finding responses to the major challenges ahead.

Germany took over the G20 presidency on 1 December 2016.

The motto of our presidency is "Shaping an Interconnected World".

We want to use the German presidency to shape globalization and foster international cooperation.

Conclusion

Shaping globalization is a challenge which can only be addressed jointly in a spirit of cooperation.

Your symposium today plays an important role in this context.
You assess common ground between U.S. and German interests.
You debate international trade and economic policies.

Plus – and this is the most important part in my view:

You talk.
You discuss.
You build transatlantic bridges.

Because we should not forget:
Our transatlantic bond goes far beyond trade.
The German history is closely linked to that of the U.S.

Germany has a lot to thank the U.S. for.

Our transatlantic relationship is founded on shared principles: democracy, respect for human rights, and the rule of law.

This year marks the 70th anniversary of the Marshall Plan.

This programme was key to the reconstruction of Europe, to stability and peace on the continent.

In fact, the reason the U.S. created it was to prevent future economic crises and wars.

We should keep this in mind and cultivate our transatlantic friendship.

Policy-makers cannot do this on their own.

We need a dialogue, including a dialogue with our partners on the other side of the Atlantic.

On this note, I wish you every success.

Enjoy your discussions and please keep building bridges!