

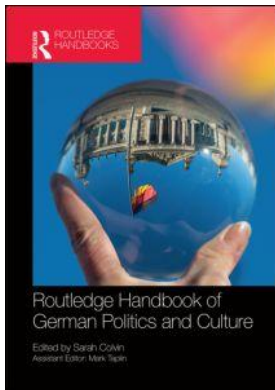
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Germany and America, 1949–2012

James Sperling

This chapter considers Germany's position within the Atlantic order, particularly its relationship to the United States. The analysis is framed by the dynamic interaction of the geostrategic and geo-economic interests of the United States and Germany. The trajectory of the postwar order inexorably elevated Germany's geostrategic importance to the United States, particularly with respect to its policy of containment. Germany's geo-economic importance was the product of the 'economic miracle' of the 1950s in conjunction with the strategic over-extension of the United States, particularly in south-east Asia. The economic consequences of the US strategy of containment eventually manifested as the abandonment of the Bretton Woods fixed exchange rate system in 1973 and engendered conflicts between the United States and Germany on the management of the transatlantic economy and the distribution of the costs attending the defence of the West. The Cold War centrality that Germany enjoyed in US foreign policy calculations was challenged by the changed post-Cold War strategic context, the rising strategic and economic importance of China for the United States, and Germany's continuing inability and unwillingness to assume a proportionately robust and responsible role in meeting the challenges posed by growing global disorder. This change in Germany's salience to the United States can be traced to two bilateral factors: first, disagreements on macro-economic management after the collapse of the international financial system in 2008, conjoined to the parochialism of German economic statecraft when dealing with the eurozone debt crisis; and the highly caveated German participation in NATO out-of-area operations, which has shifted US attentions to France and Britain as America's most important and dependable allies. The cumulative impact of these developments has been Germany's relative decline as a key partner on many issues at the top of the American foreign policy agenda.

The postwar importance of the Federal Republic of Germany (FRG) in US foreign policy calculations was derived in part from the American grand strategy of containing the expansion of Soviet power (a key component of which was the forward defence of the United States (US) from German territory), in part from the sustained uncertainty over the strategic and diplomatic consequences of German domestic political developments, and in part from the postwar emergence of Germany as an economic power and possessor of the second most important reserve currency after the dollar.¹ Americans viewed the Federal Republic as a partner (in managing the transatlantic economy), a subaltern (in acquiescing to shifts in the American deterrence

strategy), and an ATM (in financing European integration and America's informal empire). Post-Cold War, however, the German role has undergone a significant change, although the change has been more pronounced in the realm of security than in economy (where German policy rarely deviated from a narrow national interest). Germany has shed the roles of subaltern and ATM, and has redefined the content and limits of its partnership with the US on military-strategic issues. These changes may be attributed to a shift in structure (the end of bipolarity, the transformation of NATO into a voluntary alliance, and the fluidity of the contemporary international system), in status (unification and the eradication of the vestigial elements of the occupation regime), and in expectations (German responsibility for supplying regional and global order).

The transatlantic economy

The entrenched metanarrative of Germany's postwar foreign economic policy revolves around the rising trajectory of its economic capacity and gradual emergence as a joint manager of the transatlantic economy. That narrative, with significant caveats, was carried over into the post-unification period, but also anticipated the emergence of a dominant if not hegemonic Germany in Europe and its unqualified status as America's most important European partner. The primary source of postwar German leverage with the US was economic. American macro-economic policy and the management of the dollar episodically vexed the transatlantic relationship between 1957, when American Treasury Secretary Robert B. Anderson first pressed for a revaluation of the Deutsche Mark (DM) to ease the American balance of payments deficit, and 2002, when the euro replaced the DM. The twin goals of German macro-economic policy – a stable DM-dollar exchange rate and domestic price stability – brought Bonn into persistent conflict with Washington over American macro-economic policies geared to sustaining full employment and economic growth at the expense of price stability, the financing of overseas military operations – notably the wars in Korea, Vietnam, Iraq, and Afghanistan – with borrowing on global markets, and escalating American demands for burden sharing to offset the costs of containment until 1989 and global governance thereafter.

1949–1989

The deterioration of Soviet-American relations in the late 1940s and the outbreak of the Korean War in 1950 enabled Chancellor Konrad Adenauer to exploit the military and economic potential of West Germany to gain American support for the interrelated objectives of rearmament, reunification, and full sovereignty (Hanrieder 1989). America and Germany enjoyed convergent economic interests for most of the 1950s: both promoted the multilateralisation of the European trade and payments system as the first step towards the goal of European economic integration and the eventual convertibility of Europe's currencies. German and American trade and monetary preferences, paradoxically perhaps, began to diverge with the success of those policies by 1958. During this decade, Germany successfully linked security and economic policies in German-American relations, but that linkage slowly became a source of American leverage as the American payments position continued to deteriorate and Germany's remained in chronic surplus. Successive German governments acceded to administration demands that Germany support the dollar in exchange for security; in the 1967 Blessing Letter, the Bundesbank (German central bank) promised to refrain from converting excessive dollar balances into gold. That promise eased the international strain on the dollar and enabled the Johnson Administration to continue financing the war in Vietnam and Great Society programmes without regard to the requirements of external equilibrium.

The centrality of the dollar in the Bretton Woods fixed-rate monetary regime lent the US an ability to finance its payments deficits with its own liabilities. Although successive German governments fretted over the danger of ‘imported inflation’ in the 1950s, American macro-economic policy went seriously awry in the 1960s. At the same time, the Bundesbank, with the support of the Chancellors Ludwig Erhard and Kurt Georg Kiesinger, pursued a single-minded anti-inflationary policy (consistent with societal expectations and the provisions of the Bundesbankgesetz) that placed increasing pressure on the \$–DM rate and the Bretton Woods fixed exchange rate system generally. Moreover, the German unwillingness to accommodate inflation and revalue a seriously undervalued DM left the Bundesbank in a policy bind that could be solved only in Washington. As the American payments position deteriorated, inflationary pressures continued unabated, and American macro-economic policies remained unmindful of its external consequences, frictions arose between the US and Germany that were played out in tedious negotiations over defence burden sharing reinforced by congressional threats, in the form of the perennial Mansfield Amendment, to reduce unilaterally the number of American troops stationed in Europe.

President Richard Nixon initiated a retrenchment of American commitments consistent with the progressive erosion of America’s hegemonic position. The Nixon-Kissinger strategy encoded a subtle change in the American attitude towards Europe and accepted that an economically powerful Europe marked the ‘end of American tutelage and the end of an era of automatic unity’ (Nixon 1972: 40). The downgrading of US commitments and the shedding of responsibilities, embodied in the Nixon Doctrine, paired American retrenchment with the expectation that Europe would assume greater responsibilities for supporting the trade and monetary regimes created and supported by US power since 1945. The Nixon Administration endeavoured to force Europeans to assume greater responsibility for their own military and economic security and to pay a higher price for a hedged American security guarantee.

When the Nixon Administration declared 1973 to be the ‘Year of Europe’, it made explicit the American desire to rebalance American–European relations. Just as military–strategic parity with the Soviet Union necessitated the acceptance of the military and political status quo in Europe, economic parity within the Atlantic economy required a revision of the rules governing the postwar monetary and trade systems and the redistribution of the burdens attending an open world economy. The administration warned that if outstanding trade and monetary disputes were left unresolved they would inevitably spill over into other areas, including the American security guarantee. Chancellor Willy Brandt (1973: 689) acknowledged the need for such a recalibration to avoid a permanent rift in the Atlantic community, but also wanted to restrict that re-ordering to the ‘Atlantic zone of partnership’ that defined the boundaries of Germany’s legal obligations under the North Atlantic Treaty.

The continuing US reluctance to relinquish its hegemonic prerogatives despite its relative decline vis-à-vis Europe generated open and acrimonious debates on the reform of the international monetary system, the American elevation of fair trade as the organising concept of the Atlantic trading system, the (un)desirability of increased trade with the Soviet Union, the response of the NATO member states to the oil crisis in 1973, and the discord surrounding the appropriate macro-economic response (accommodation or adjustment) to the quadrupling of oil prices in 1973–4. The key expression of German dissatisfaction with the management of the American economy was the effort to achieve some form of monetary autonomy from the US. The 1969 Werner Plan, the first major step towards European monetary union, fell victim to the monetary turbulence of the 1970s. The travails of the dollar forced Germany to float the DM unilaterally in May 1971. The Nixon shock in August 1971, which negated the pledge to exchange gold for dollars held by central banks, was followed by the generalised float of the

dollar in 1973, a rapid rise in the value of the DM, and an unwanted reserve role for the DM. The task of aligning Germany's trading and currency interests was first addressed with the joint float of most European currencies in 1973, and the eventual emergence of a DM-dominated currency bloc performed the triple trick of buffering the DM and German economy from the gyrations of the dollar, preserving the price competitiveness of German goods in its major European market, and enabling the Germans to export their deflationary bias in macro-economic policy to Europe.

German vulnerability to energy supply disruptions provided another source of discord in German-American relations in the 1970s, particularly after the US announced that it would no longer guarantee European oil supplies in the event of a Middle East oil embargo or supply disruption, an eventuality that became a reality with the October 1973 Arab-Israeli war. The subsequent oil embargo and quadrupling of oil prices brought to the surface the contradictions and tensions not only of Germany's energy security policy, but of its economic and strategic interdependence with the US. A secure supply of oil required, at a minimum, that Germany remain classified as a neutral in the conflict by the Arab states and avoid alienating its primary source of natural gas, the embargoed Netherlands. After the Dutch threatened to suspend natural gas deliveries to the rest of the European Community, West Germany implemented a policy of energy diversification that clashed with US foreign policy preferences, particularly when the Reagan Administration sought (and failed) to impose an embargo on the sale of large-diameter pipe to the Soviet Union in 1982. Germany resisted American pressure owing to a number of factors: diversification was essential for national security, the sale of Soviet natural gas and oil on the European market would provide hard currency for the purchase of German exports, closer commercial relations with the Soviet Union would help insulate German-Soviet relations from the Reagan Administration's bellicosity, and Germany lacked a compelling reason to follow the American lead owing to the degraded security guarantee and what was perceived as a fickle and dangerous foreign policy.

This decade-long conflict over energy policy paralleled continuing macro-economic conflicts. The Carter Administration's hapless stewardship of the American economy reinforced the German view that only a European solution would insulate Germany from the twin dangers of imported inflation (exacerbated by the oil crisis) and export non-competitiveness posed by a rising DM. The decision to create the European Monetary System (EMS) at the 1978 Bremen summit represented a German-led declaration of monetary independence from the US and the dollar. President Carter's belated rescue package for the dollar in November 1978 and initial EMS success in creating a European 'zone of monetary stability' introduced a brief period of economic comity in the Atlantic economy that was promptly undone by the Reagan Administration.

The Reagan Administration's monetary and fiscal policies confronted Germany with a macro-economic nightmare: an anti-inflationary macro-economic policy and budget deficits occasioned by deep tax cuts that required high American interest rates which, in turn, distorted German macro-economic policy and the dollar-DM exchange rate. By 1983 the Bundesbank regularly described the DM as the 'antipolar' currency of the dollar: that is, the value of the DM was invariably inversely related to the value of the dollar and no longer reflected German macro-economic conditions. It was also believed that an ever-appreciating dollar and high US interest rates forced the Bundesbank to follow more restrictive policies than domestic conditions required; the antipolar role of the DM subordinated the Bundesbank's monetary policy to the requirements of external balance rather than to the domestic goals of economic growth and reducing structural unemployment.

The Reagan Administration dismayed the Germans with continued denials that there was a connection between high real interest rates, an overvalued dollar, and massive American trade

deficits. Moreover, different political and economic priorities at either end of Pennsylvania Avenue ruled out any significant reduction of the budget deficit, the dollar's overvaluation, or the trade deficit. Once the administration acknowledged that a 'strong' dollar did not translate into a 'strong' America as fears of deindustrialisation and a rising Japan accelerated, the US retreated from its earlier insistence that the market determine the dollar's value. When Washington turned to Bonn and Tokyo to reverse the dollar's climb in September 1985, it found a reluctant and suspicious partner in the Federal Republic. The difficulties of striking a sustainable bargain with the Plaza Agreement in 1985 and Louvre Agreement in 1987, particularly the inability of the US to make good the promise to implement macro-economic policies consistent with internal and external balance and the October 1987 stock market crash, led Germany to question the American leadership role in the transatlantic economy. In 1988 the German economics minister, for example, noted that the absence of a *legitimate* hegemon in the international system required cooperation among the major industrialised economies and heralded the emergence of a multipolar world. Although America's pre-eminence was not challenged, the legitimacy of an American leadership role was made contingent upon the ability of the US to reduce its budget deficit, 'the *conditio sine qua non* for more order and balance in the world economy' (Bangemann 1988: 849). This assessment was not shared in the US; American Treasury Secretary Nicholas Brady noted that concerns over the American deficits were 'exaggerated or unwarranted' (Sperling 1990: 91).

The task facing the Federal government and Bundesbank in the 1980s was to strike a balance between the economic imperatives of price stability, exchange rate stability, and policy convergence within the EMS on the one hand, and the political imperative of monetary coordination with the US on the other. German experience demonstrated that the drive to sustain Germany's commercial dominance of Europe and to maintain stable cross exchange rates could not be conducted independently of American macro-economic policies. This asymmetrical interdependence of West German and American macro-economic policies helps explain not only a recurring source of German–American economic conflicts and frictions between 1958 and 1989, but the German willingness to exchange the DM for the euro with the Maastricht Treaty, signed in 1992 and implemented in 1993.

1990–2012

The postwar *Wirtschaftswunder* gave way to the *Wirtschaft ohne Wunder* for most of the 1990s. The global recession in the early 1990s created yet another period of German–American discord on macro-economic policy: while the Federal Reserve implemented countercyclical interest rate policies to fulfil its growth mandate, the Bundesbank – with the blessing of the Kohl Government – raised interest rates to combat the inflation attending unification. For the Americans, German policy presented a barrier to a Europe-wide recovery; for the Germans, the Bundesbank was simply discharging its sole responsibility to protect the internal value of the DM. Ironically, the US and a unified Germany traded places in the early 1990s: the Americans criticised the Germans for following a Reaganesque macro-economic policy of high interest rates and unsustainable budget deficits. By the end of 1992, the Germans, Americans, and Japanese had abandoned the coordination of macro-economic rate policies and adopted the Sinatra Doctrine: each state would pursue macro-economic policies dictated by domestic rather than systemic conditions. Despite the global economic recovery in the second half of the 1990s, German governments faced slow economic growth and unemployment attributed to structural rigidities in the economy compounded by the mistakes of unification, particularly the unwarranted rise in eastern German wages by government fiat and the undeserved purchasing power lent eastern Germans with the

favourable rate of exchange between the West and East German marks. Moreover, the Kohl Government assumed that the *Fonds Deutsche Einheit*, capitalised at DM100 billion, would cover the costs of unification. Instead, those costs amounted to almost \$1.9 trillion between 1990 and 2009 (Reuters 2009). The attending indebtedness ended Germany's cheque-book diplomacy – its postwar source of diplomatic leverage – and contributed to the relative 'failure' of the German strategy for European Monetary Union (Sperling 1994 and 2010). Rather than creating a hard currency area comprising France, Germany, and the Netherlands, which the convergence criteria all but guaranteed in 1992, Germany was saddled with a monetary union that allowed almost any state to join irrespective of its fiscal circumstances (see Chapter 22). Moreover, the EMU removed the one source of leverage that Germany could directly and autonomously exercise vis-à-vis the US: namely, the ability to discipline American macro-economic and exchange rate policies owing to the growing reserve and transaction roles of the DM inside and outside Europe. A hard currency area comprising a few like-minded countries would have produced a European central bank immune to American pressures to adopt macro-economic policies inconsistent with the needs of the European economy, and capable of enforcing Europe-wide conformity with German macro-economic preferences without the fiscal liabilities that became all too apparent with the eurocrisis.

The onset of the deepest recession since the 20th century's Great Depression in 2007 – the collapse of Lehman Brothers and subsequent meltdown of the global financial system in 2008 – and the largely uncoordinated policy responses of the world's major economies represented the first major post-unification macro-economic crisis in German-American relations. In this iteration, however, American policymakers were relatively indifferent to German economic interests or policy preferences. This relative decline of Germany in American macro-economic calculations reflects one important institutional change and a number of structural developments: the European Central Bank (ECB) manages Europe's money, London rather than Frankfurt remains Europe's most important financial centre, the German role in the real and financial sectors of the American economy has declined since 1989, and most critically, American macro-economic policy is increasingly oriented towards reassuring its Pacific creditors.

The German government insisted that the causes of the financial crisis were 'made in America': the Federal Reserve pursued a too-expansive monetary policy; the regulatory frameworks governing banks and non-banks in the financial system were ineffective; and the domestic sub-prime crisis led to a \$1.4 trillion loss that spread to the eurozone economies (BMW 2008). Chancellor Angela Merkel also blamed 'reckless speculation' on the American property market, a lack of transparency in American financial markets, and excessive deficit spending in the wake of 11 September 2001 as contributory factors (*Financial Times* 2009). These specific criticisms of American macro-economic policy eventually took the shape of a full-blown German critique of the Anglo-Saxon economic model and the joint Franco-German suggestion that America (and Britain) 'bow to the European model' (*Financial Times* 2009; Sanger and Landler 2009). Yet German criticisms of American policy ignored Germany's own culpability in the crisis: a global 'savings glut' (attributed to unsustainable Chinese, German, and Japanese current account surpluses) provided the source of easy credit that fuelled the financial bubble that burst in 2008 (Furceri and Mourougane 2009; paras 15–25).

The growing German distemper with the American response to these crises, particularly in the person of Finance Minister Peer Steinbrück, revealed a persistent rhetorical division between the US and Germany with respect to the most appropriate macro-economic and regulatory policy responses to the financial crisis and recession. By the time of the April 2009 G-20 summit, Chancellor Merkel, along with French President Nicolas Sarkozy, insisted that a return to economic growth depended upon the creation of an effective regulatory framework that

restored confidence to global financial markets; they rejected both the efficacy and necessity of additional fiscal stimulus. American President Barack Obama, with qualified support from British Prime Minister Gordon Brown, preferred a two-track strategy that shared the Franco–German goal of restoring stability to the financial markets via regulatory reform, but also pushed for a coordinated fiscal stimulus among the G-20 countries to prevent the recession from descending into depression. Chancellor Merkel resisted additional German fiscal stimulus: an economic recovery in Germany, given the openness of the national economy, depended upon the recovery of foreign demand for German exports rather than an up-tick in domestic consumption. Consequently, she encouraged other countries to adopt more expansive fiscal policies to increase global demand, suggesting in March 2009 that China ‘do more’ because the Chinese government could avoid increasing its level of debt *and* China had a greater growth potential than Germany (Wolf 2009). German resistance to increased deficit spending was not entirely unreasonable: first, the German fiscal packages for the period 2009–10 amounted to 3.5 per cent of national GDP; and second, the output gap in the German economy, which had shrunk to 3.3 per cent (lower than any country other than France), did not justify additional fiscal stimulus (Benoit 2009; BMWi 2008).

The deterioration of the American fiscal position was the joint product of the tax cuts introduced during the George W. Bush Administration, the total costs of stabilising the national banking system, the loss of revenue and higher financial outlays attending the recession and slow economic growth, and the concurrent wars in Iraq and Afghanistan. The American budget deficit as a share of GDP amounted to almost 14 per cent in 2009, and US Federal gross debt as a share of GDP rose from 69.7 per cent in 2008 (\$9.98 trillion) to 107.4 per cent in 2013 (\$17.6 trillion).² The looming fiscal crisis in the US has been aggravated by the inability of President Barack Obama and the US Congress to enact a budget that would restore fiscal balance without pushing the economy back into recession. At the same time, the unsustainable fiscal positions of the southern eurozone countries, particularly Greece, underscored the difficulty of protecting the single currency until the ECB could credibly claim to be the lender of last resort during the process of fiscal rebalancing.³ These European macro-economic imbalances, the purgatory of uncertainty plaguing the euro, and the inability of the US to put its fiscal house in order differed from past macro-economic crises in the Atlantic economy: neither the US nor Germany could exert any meaningful influence on the policy choices of the other, since those policy choices remain hostage to internal political and institutional dysfunctions.

Transatlantic security

Germany straddled the major fault line of the Soviet–American contestation for European hegemony. The American policy of containment sought to halt the expansion of Soviet power and deny the Soviet Union access to the resource-rich and industrialised regions of the world, foremost among them western Europe. Postwar American diplomacy encouraged western European political and military integration as the means of strengthening the European pillar of the Western alliance, allaying French concerns over a renascent Germany, restoring German sovereignty on terms mutually acceptable to Germany and its neighbours, and embedding Germany in binding multilateral frameworks. Over the course of the 1950s and 1960s, German and American diplomacy was largely complementary, although that concordance was increasingly strained as Washington accommodated the strategic consequences of nuclear parity with the Soviet Union in the 1970s and 1980s. The end of the Cold War and the growing strategic salience of extra-European developments have revealed deep and abiding conflicts over security policy and the purposes of the Atlantic alliance.

1949–1989

The most immediate postwar Allied objectives were German disarmament and the demilitarisation of the German economy. The exigencies of the Cold War required a policy reversal, but German rearmament took place within a NATO in which Germany was not quite equal: of the NATO member states, only German armed forces were directly responsible to a NATO commander, rather than a national general staff, and the Allies retained the right to scrutinise the categories of armaments Germany could possess or manufacture. This state of affairs only ended in 1990 with the Treaty on the Final Settlement with Respect to Germany.

The American goal of an Atlantic community resting on the twin pillars of NATO and European economic integration suited German interests. Germany's centrality for the US pivoted on containment's negative purpose of denying the Soviet Union access to European human and industrial capital with the positive goal of enhancing the security and welfare of the entire transatlantic area. Washington's desire to rearm Germany, particularly after the outbreak of the Korean War, reflected the recognition that America was unable to defend Asia and Europe simultaneously. But rearmament confronted the US with the dilemma of simultaneously providing security *for* and *from* Germany (Hanrieder 1989: 39). After the failure of the European Defence Community (a French-designed multilateral framework controlling a rearmed Germany), German sovereignty was returned, with significant caveats, with the 1954 Paris Treaty. Germany was only then permitted to join NATO and rearm.

The Soviet launch of Sputnik in 1957 called into question the American strategy of 'massive retaliation' and the credibility of the extended nuclear deterrent. To remedy the strategic fallout from Sputnik, the Kennedy Administration replaced massive retaliation with the dual strategies of 'mutually assured destruction' with respect to strategic nuclear weapons and 'flexible response' with respect to the forward defence of Europe. While these two strategies were complementary and enhanced the credibility of the US security guarantee, they also created two separable geostrategic spaces. To allay the fear of abandonment, the Kennedy Administration offered Europe President Dwight D. Eisenhower's plan for a NATO-based multilateral nuclear force. The offer caused disquiet in Moscow; it interested neither Paris nor London, but found favour in Bonn. When the Johnson Administration unceremoniously dropped the proposal in 1963 without prior consultation with Chancellor Erhard, an enthusiastic supporter, it did nothing to assuage Bonn's doubts about the constancy of the American guarantee.

Despite the general congruity of German and American strategic objectives in Europe, conflicts did arise when Bonn was forced on occasion to choose between Paris (without which no progress on European integration was possible) and Washington (the only credible guarantor of German security). But the underlying diplomatic tension in German–American relations revolved around the appropriate level of engagement with the Soviet Union and Warsaw Pact member states. When the Hallstein Doctrine was unveiled in 1955 after the establishment of the German Democratic Republic (GDR), that policy of withholding or withdrawing diplomatic recognition from any state recognising the GDR was not inconsistent with American diplomacy. Yet as both the US and the Soviet Union became more interested in stabilising the European diplomatic and military-strategic status quo, the Hallstein Doctrine and West Germany's preoccupation with unification threatened the unspoken Soviet–American solution to the 'German problem' – a permanently divided Germany. The *Ostpolitik* initiated by the grand coalition in 1966 and accelerated after the election of Willy Brandt as Chancellor in 1969 raised fears in Washington that Germany might be tempted to exchange its loyalty to the West (*Westbindung*) for unification.

As the Soviet Union and the US fast approached nuclear parity, the US began its ‘retreat from empire’ in 1968 with the election of President Richard Nixon (Osgood 1973). The Nixon Doctrine, which reduced America’s global military commitments, inevitably caused alarm in German foreign policy circles, raising fears of a Nixon Doctrine for Europe (Kaltfleiter 1973). Despite the fundamental convergence of German–American strategic interests in Europe and the unfulfilled fear of an American strategic retrenchment from Europe, the 1970s revealed divergent interests *outside* Europe that foreshadowed conflicts after 1989 over ‘out-of-area’ operations (see below).

The oil crisis, and the 1973 Middle East war precipitating it, sparked a serious diplomatic crisis when the US transhipped military materiel to Israel from German territory. This episode, sparked by Germany’s desire to retain its ‘neutral’ status in the Middle East conflict and protect its oil supply, revealed a willingness to resist American policy outside Europe when German national interests were at stake. The deterioration in German–American relations – the joint product of nuclear parity, a palpable American weariness with foreign entanglements, and the conflicts that emerged over the 1973 war and its aftermath – accelerated with the election of President Jimmy Carter in 1976.

Chancellor Helmut Schmidt had difficulty concealing his contempt for Carter, particularly after the latter’s decisions to deploy and then not deploy the neutron bomb. That inconstancy cost Schmidt political capital at home, threatened, in Schmidt’s estimation, the eurostrategic nuclear balance, and set the stage for intense conflicts over the deployment of intermediate nuclear forces (INF) in the early 1980s. Schmidt’s collateral suspicions regarding American intentions were sustained with the leak of Presidential Review Memorandum 10, which proposed sacrificing a third of Germany’s territory before the first use of tactical nuclear weapons, and an emergent eurostrategic imbalance favouring the Soviet Union. Schmidt’s ‘two-track’ proposal to modernise theatre nuclear weapons and restore the strategic balance in Europe had two components: NATO would forgo INF modernisation in exchange for the withdrawal of Soviet INF already deployed in the European theatre; in the absence of such a bargain, NATO would deploy Pershing II and cruise missiles in Europe.

NATO adopted Schmidt’s proposal, but it required the US to enter into good faith negotiations with the Soviet Union, which were not forthcoming. The Reagan Administration’s intemperate and vilifying rhetoric ushered in a ‘new’ Cold War, made all the more precarious by the unveiling of the strategic defence initiative, which itself threatened to upend the strategic balance of terror that had maintained the postwar status quo. Moreover, the Reagan Administration was convinced of the strategic utility of deploying modernised INF in Europe. Chancellor Schmidt reasonably concluded that the US had not acted in good faith, had failed to meet the conditional aspect of his proposal, and had provided the grounds for non-deployment on German soil. The departure of Chancellor Schmidt in October 1982 and the 1983 election of Helmut Kohl as chancellor eventually reintroduced diplomatic calm to German–American relations. Bonn agreed to the deployment of Pershing missiles after a fierce domestic debate, but the subsequent Soviet–American double-zero agreement in 1988 compelled the Germans not only to accept the withdrawal of the Pershing IIs stationed in Germany, but to surrender the Pershing IAs under German control. This American *volte-face* on nuclear weapons deepened existing suspicions that the American security guarantee was hedged and stoked fears of singularisation: a nuclear war in Europe would be restricted to German territory. President Ronald Reagan’s more circumspect and constructive diplomacy vis-à-vis the Soviet Union in his second term hastened the end of the Cold War, the dissolution of the Soviet Union, and the unification of Germany – an outcome embraced in Washington and Bonn if nowhere else.

1990–2012

NATO cohesion and West German obeisance to American strategic preferences depended upon the persistence of three postwar conditions: Europe remained the prize in the superpower competition, the division of Germany was a perpetual feature of the European state system, and German neutrality was not an option. The end of the Cold War and unification negated each condition. Just as the strategy of containment had elevated Germany's strategic importance to the US, its post-1992 redundancy diminished it. Germany went from being at the epicentre of the Cold War to merely occupying the centre of Europe.

The 1990 treaty liberated Germany from many of the postwar legal, institutional, and psychological inhibitions imposed upon it by NATO membership and from a non-negotiable dependence upon the American security guarantee. All postwar restrictions on German sovereignty remaining from the end of World War II evaporated. In exchange, Germany reaffirmed its adherence to the Non-Proliferation Treaty (NPT) and accepted the restriction of the German armed forces to 370,000 individuals under arms in the Conventional Forces in Europe Treaty (CFE). The NPT did not preclude German possession of nuclear weapons within a politically unified EU, and the limitations placed on Germany by the CFE Treaty were neither onerous and punitive nor one-sided. The Berlin Republic remains embedded in NATO as a full, equal, voluntary partner, but also enjoys the hypothetical option of exit.

The Cold War devalued the German contribution to a NATO bereft of an existential threat and preoccupied with the projection of force for peacekeeping and crisis management operations 'out of area'. The US Defense Department identified Germany as America's most capable conventional military ally during the Cold War, but those assessments neither considered German force projection capabilities nor expected Germany to acquire them. Post-unification, the US Defense Department focused on Germany's marginal contributions to allied force projection capabilities, the development of which constituted the primary goal of the NATO defence capabilities initiative. Even though Germany still contributes the largest European share of NATO ground combat forces, four factors limit the utility of that contribution: first, German forces were trained and equipped to fight the wrong kind of war in the wrong place at the end of the Cold War; secondly, the post-Cold War transformation of the German armed forces has fallen foul of budgetary constraints; thirdly, the Bundeswehr can deploy only approximately 10 per cent of its armed forces (far below NATO's 50 per cent deployability goal); and finally, German forces are subject to some of the most restrictive caveats in combat operations (Sperling 2010; Sperling and Webber 2009).

One irony of post-unification German foreign policy is that a Red-Green coalition first embraced the use of German military power out of area.⁴ How did Germany make the journey from refusing to provide anything other than logistical or financial support for out-of-area operations, notably in the first Gulf War and non-combatant roles in the former Republic of Yugoslavia between 1992 and 1995, to becoming a regular participant in NATO-sponsored peacekeeping and peacemaking missions? As Lothar Rühl (2001: 110) has noted, the Erhard and Kiesinger Governments committed the German military to peacekeeping operations in Cyprus (1964) and to a NATO naval formation in response to a blockade of Israel (1967). But restrictions on the use of German military force out of area became a quasi-constitutional principle over the course of the SPD/FDP tenure between 1969 and 1982. That principle was inviolate until the 1994 Federal Constitutional Court decision. It found no barrier to the participation of German troops out of area, subject to a UN mandate authorising the use of force and Bundestag approval. Germany thereafter committed combat troops to NATO operations in Afghanistan (2001–14), Bosnia-Herzegovina (1995–2004), the former Yugoslav Republic of Macedonia

(2001–3) and Kosovo (1999–present), and has participated in allied naval operations in the eastern Mediterranean (2001–present) and the Horn of Africa (2001–present).

The amicable relationship between Chancellor Helmut Kohl and Presidents George H.W. Bush and Bill Clinton did not survive the elections of Chancellor Gerhard Schröder and President George W. Bush. Schröder's decision to challenge the Bush Administration's Iraq policy during the 2002 German parliamentary elections poisoned bilateral relations; the German chancellor promised German non-participation in an American-led operation even *with* a UN mandate, and US Defense Secretary Rumsfeld dismissed Germany (and France) as 'old Europe'. Germany aligned itself with France and the Russian Federation against the US at the United Nations and then blocked (along with Belgium and France) the American request in the North Atlantic Council to provide military assistance to Turkey prior to the war. It is probably impossible to know whether a mismatch of personalities aggravated already manifest divergences of German and American interests outside Europe (see Merkl 2005; Szabo 2007). In any event, this episode blighted German-American relations until Chancellor Angela Merkel charted an Atlanticist course correction. Merkel nonetheless avoided becoming a direct party to the American occupation of Iraq. The most important lesson, however, is not the immediate cause or aftermath of the German-American fissure, but the relative unimportance of Germany to the US when it decided to push ahead with the Iraq invasion, and the negligible costs incurred by German defiance of American demands.

NATO operations in Afghanistan (2002–14) and Libya (2011), as well as the stationing of Patriot missiles in Turkey in 2013, reveal the continuing evolution of Germany's assessment of its security role and definition of its obligations to the US outside Europe. Turkey and Afghanistan demonstrate Germany's commitment to NATO's collective defence obligation arising from Article 4 and 5 contingencies respectively. Libya demonstrated that Germany will abstain from participation in a NATO military operation if it falls outside collective defence, if it violates the German national interest, or if buck passing is a viable option.

The Carter Administration's adverse reaction to the Soviet invasion of Afghanistan reportedly led Chancellor Helmut Schmidt to declare 'Kabul ist nicht Bonn'. Chancellor Gerhard Schröder did not have the option of declaring similarly that 'Kabul ist nicht Berlin' after 11 September 2001. The invocation of Article 5 and the safe haven afforded al-Qaeda by the ruling Taliban made German participation in Operation Enduring Freedom (OEF) and the follow-on UN-mandated International Security Assistance Force (ISAF) a critical test of its fidelity to the alliance and the US. The Bush Administration, despite the invocation of Article 5, chose to conduct a national operation to evict the Taliban from Afghanistan, but welcomed national contributions tightly aligned with American military objectives. A limited number of NATO allies, including Germany, made significant contributions to ground combat operations and devoted an impressive share of national naval and air assets to OEF. American gratitude for that German contribution to the eviction of the Taliban was relatively short-lived once high intensity combat operations had ceased. NATO assumed command of ISAF in 2003, and the task of stabilising and reconstructing Afghanistan commenced.

The German contribution to ISAF (as well as that of other allies) initiated a new round of recriminations over burden sharing within the alliance and contributed to renewed American doubts about NATO's future. Although Germany contributed the second largest number of NATO–Europe troops to ISAF after the United Kingdom, closely followed by France, Germany did not contribute a proportionate share of troops based on the common measure of burden sharing.⁵ Afghanistan also renewed the debate begun in the Balkan conflicts over intra-alliance risk-sharing. Germany was a primary target for US discontent: then US Defense Secretary Robert Gates claimed that the level of risk avoidance in Afghanistan foreshadowed a two-tier alliance,

where some allies do the fighting while others stand aside. German armed forces operated almost exclusively in the 'safe' northern and western regional commands, and have been subject to a large number of caveats on their deployment and to some of the most restrictive rules of engagement of the major NATO states. Afghanistan also revealed a gap between the German theory and practice of networked security: the German level of bilateral and multilateral aid for the purposes of reconstruction and stabilisation neither set it apart from the other major NATO states nor matched the German position that the underlying problem in Afghanistan (and elsewhere) requires a broad approach favouring the civilian instruments of statecraft.

Libya underscored the lack of allied consensus on member-state obligations in those cases where a military operation serves milieu-shaping policies rather than collective defence. NATO's Operation Unified Protector (OUP), the first UN-authorized military intervention against a ruling government on the basis of the 'responsibility to protect', initiated a crisis of participation within the alliance that went far beyond earlier burden sharing debates. Only 13 NATO allies made any direct military contribution (Belgium, Bulgaria, Canada, Denmark, France, Greece, Italy, the Netherlands, Romania, Spain, Turkey, the UK, and the US), and five of those 10 European states – Bulgaria, Spain, Greece, Romania, and Turkey – abjured a direct combat role, while Italy assumed one only reluctantly in late April 2011. Even more troubling were the allies with significant military capabilities, notably Germany and Poland, who declined to participate.

Germany's non-participation underscored an apparent scepticism towards utility of force as an instrument of statecraft, illustrated the political and constitutional limitations on the use of force, revealed the gap between German rhetoric and action with respect to international law, and raised the suspicion that Germany sought to further its commercial interests by siding with China, Russia, India, and Brazil on the UN Security Council. With the commencement of OUP, Berlin withdrew from NATO command all German naval and air force personnel in the Mediterranean as a matter of constitutional necessity, but in exchange offered to redeploy German AWACS crews to Afghanistan as a sign of 'alliance solidarity'. The Merkel Government concluded that it did not have a positive obligation to enforce UNSCR 1973 and the 'responsibility to protect' was not viewed as a compelling principle of action. These doubts were widely shared in the Bundestag and most agreed with the coalition government's assessment that enhanced economic sanctions alone could achieve the goals of UNSCR 1973 (Merkel 2011; Deutscher Bundestag 2011a: 10815–16, 10819–20, 10825–6; 2011b: 11140–2, 11145, 11149–52).

The German Ministry of Defence, in revised defence policy guidelines published after the onset of the NATO mission in Libya, established that the future use of force must answer in the affirmative 'the question of whether German interests require and justify an operation and [determine] what the consequences of non-action would be' (German Ministry of Defence 2011: 4). The government and opposition (in varying degrees) justified German inaction via a fourfold reinterpretation of multilateralism. First, Germany delegated responsibility for enforcing UN Security Council Resolution (UNSCR) 1973 to a coalition of regional actors (notably Persian Gulf states) and questioned whether it was a Western responsibility to intervene. Second, Germany was required only to observe UNSCR 1973, not to enforce it. Third, Germany was acting multilaterally insofar as it joined approximately one half of the NATO member states in abstaining from OUP, supported the formation of an EU military humanitarian force for Libya (EUFOR Libya), and cast an abstention on UNSCR 1973 with four other rising powers – Russia, China, Brazil, and India. And finally, Germany's NATO membership no longer meant that wherever NATO led, Germany would automatically follow (Deutscher Bundestag 2011b: 11145).

The foreign policy elite was more critical of the German abstention at the UN and withdrawal of German forces from NATO command than the Obama Administration. Former

Foreign Minister Joschka Fischer (2011) called the decision the ‘greatest debacle since the founding of the Federal Republic’, while others claimed that Germany was an ‘undependable alliance partner’ (Schmidt 2011; Varwick 2011) and ‘the funeral director of alliance politics’ (Stefan Kornelis, cited in Erlanger and Dempsey 2011). Eighteen months later, the Merkel Government – perhaps chastened – quickly agreed (along with the US and the Netherlands) to provide Turkey with Patriot missiles and up to 400 German support personnel to deter a Syrian attack on Turkish territory (Deutscher Bundestag 2012b: 3–4). The government carefully identified the international legal obligation (the Turkish request for an Article 4 consultation) and constitutional propriety (Article 24(2) of the German constitution) of the action (Deutscher Bundestag 2012b: 1). In the parliamentary debate authorising the deployment, members of the government claimed that this action demonstrated Germany’s reliability as an alliance partner and that the alliance could depend upon the Bundestag to act responsibly and with dispatch (Deutscher Bundestag 2012c: 26553; 26560).

Conclusion: German multilateralism and German–American relations

Scholarly literature on the transatlantic relationship has tried to capture the limits of Germany’s role in Europe and possibilities for partnership with the US, both before and after 1990. Some scholars focus on Germany’s structural position in the Atlantic economy, describing it as a hegemonic or dominant power (Hütter 1978; Markovits and Reich 1997; Kreile 1978), while others focus on German behaviour, describing Germany as a ‘reluctant power’ or ‘reluctant hegemon’ (Meiers 1995; Bulmer and Paterson 2013), a ‘civilian power’ (Harnisch and Maull 2001), a Europeanised power (Bulmer *et al.* 2000), a ‘normalized power’ (Bulmer and Paterson 2011; Opperman 2012) or a ‘responsible power’ (Ischinger 2012). Despite these various assessments, there is a general consensus in the scholarly community – with notable exceptions – that German foreign policy has exhibited a reflexive multilateralism, a self-imposed ‘culture of restraint’, a profound scepticism towards the use of force, and the eschewal of a narrow *raison d’état* in favour of *raison de communauté*.

These components of German foreign policy have undergone subtle and not-so-subtle evolutions since unification: the reflexive multilateralism of the postwar period has been replaced with a flexible multilateralism that is not solely defined by the *Westbindung* (Sandschneider 2012), the exercise of German power in the national interest has modified the ‘culture of restraint’ to include the option of not acting with its allies or the broader international community, and fidelity to international law has been narrowly defined as conformity with law rather than a responsibility to enforce it. German policy responses to the postwar monetary crises and macro-economic policy conflicts were narrowly national in purpose and instrumentally multilateral. This narrow conception of economic interest was in full view during the 2008 financial crisis and has framed the German response to the eurocrisis. The Merkel Government, like those before it, insists that the lessons of Germany’s historically disastrous *Sonderweg* frame the multilateral debate on the management of the global economy and euro, and excuse Germany from taking robust and effective military action in Afghanistan (and indirectly in Libya). This privileging of German history is matched by an unwillingness to accept as equally valid other national metanarratives or the policy preferences embedded in them; German governments, for example, appear indifferent to the toll austerity programmes are taking on fragile democracies in southern Europe.

So long as German governments could credibly claim, as they could over the course of the postwar period, to be America’s most important NATO ally and macro-economic counterpart, their ‘lessons’ of history had to be taken seriously in Washington and elsewhere. Neither claim

is as credible today. The changed structure of power, the resiliency of German democracy, and the successful unification of Germany have removed the security pathologies that originally lent the transatlantic bargain its force. The crises testing the German–American relationship in the early 21st century reflect the changed contexts of that bilateral relationship. Just as Germany is no longer dependent upon the American security guarantee, America has become increasingly dependent upon its Asian creditors to finance domestic consumption and wary of rising powers along the Eurasian periphery. Nonetheless, America and Germany remain allied militarily for good reason and are linked economically out of necessity. But the essential nature of that relationship is undergoing a transformation that will either contribute to a stronger transatlantic community built upon a foundation of greater equality or engender an estrangement arising out of mutual indifference and strategic drift.

Notes

- 1 With the end of the World War II, Germany was truncated and divided into the American, British, French, and Soviet zones of military occupation. The Americans, British, and French combined their zones of occupation and formed the Federal Republic of Germany in 1949, while the Soviet zone of occupation eventually became the German Democratic Republic (GDR). To avoid any confusion, this chapter uses Germany and the Federal Republic interchangeably; any reference to the GDR will be explicit.
- 2 The level of publicly held debt amounted to 40.5 per cent and 74 per cent of GDP in 2008 and 2012, respectively, while the amount of publicly held debt rose from \$5.8 trillion to \$12.6 trillion between 2008 and 2012 (OMB 2012).
- 3 That claim gained credibility after ECB President Mario Draghi promised that the bank would do ‘whatever it takes’ to protect the euro (*Wall Street Journal* 2012).
- 4 The 1998 parliamentary election produced a coalition government between the Social Democratic Party and Alliance 90/The Greens; it is commonly referred to as the Red-Green coalition, reflecting the colour associated with each party respectively.
- 5 The burden sharing index for Germany (derived from the German share of troops/share of NATO GDP) was less than unity (.64) and reveals a significant level of free-riding (Sperling 2010: 56–8).

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