

By George Friedman

Three major meetings will take place in Europe over the next nine days: a meeting of the G-20, a NATO summit and a meeting of the European Union with U.S. President Barack Obama. The week will define the relationship between the United States and Europe and reveal some intra-European relationships. If not a defining moment, the week will certainly be a critical moment in dealing with economic, political and military questions. To be more precise, the meeting will be about U.S.-German relations. Not only is Germany the engine of continental Europe, its policies diverge the most sharply from those of the United States. In some ways, U.S.-German relations have been the core of the U.S.-European relationship, so this marathon of summits will focus on the United States and Germany.

Although the meetings deal with a range of issues - the economy and Afghanistan chief among them - the core question on the table will be the relationship between Europe and the United States following the departure of George W. Bush and the arrival of Barack Obama. This is not a trivial question. The European Union and the United States together account for more than half of global gross domestic product. How the two interact and cooperate is thus a matter of global significance. Of particular importance will be the U.S. relationship with Germany, since the German economy drives the Continental dynamic. This will be the first significant opportunity to measure the state of that relationship along the entire range of issues requiring cooperation.

Relations under Bush between the United States and the two major European countries, Germany and France, were unpleasant to say the least. There was tremendous enthusiasm throughout most of Europe surrounding Obama's election. Obama ran a campaign partly based on the assertion that one of Bush's greatest mistakes was his failure to align the United States more closely with its European allies, and he said he would change the dynamic of that relationship.

There is no question that Obama and the major European powers want to have a closer relationship. But there is a serious question about expectations. From the European point of view, the problem with Bush was that he did not consult them enough and demanded too much from them. They are looking forward to a relationship with Obama that contains more consultation and fewer demands. But while Obama wants more consultation with the Europeans, this does not mean he will demand less. In fact, one of his campaign themes was that with greater consultation with Europe, the Europeans would be prepared to provide more assistance to the United States. Europe and Obama loved each other, but for very different reasons. The Europeans thought that the United States under Obama would ask less, while Obama thought the Europeans would give more.

The G-20 and divergent economic expectations

Begin with the G-20 summit of 20 of the world's largest economies, which, along with the Americans and Europeans, include the Russians, Chinese and Japanese. The issue is, of course, the handling of the international financial crisis. In contrast to the G-20 meetings held in November 2008, the economic situation has clarified itself substantially - itself an improvement - and there are the first faint signs in the United States of what might be the beginning of recovery. There is still tremendous economic pain, but not nearly the panic seen in October.

There is, however, still discord. The most important disagreement is between the United States and United Kingdom on one side and France and Germany on the other. Both the United States and the United Kingdom have selected a strategy that calls for strong economic stimulus at home. The Anglo-American side wants Europe to match it (though the United Kingdom has begun tempering its demands). It fears that the heavily export-oriented Germans in particular will use the demand created by U.S. and British stimulus on their economies to surge German exports into these countries as demand rises. Germany and France would thus get the benefit of the stimulus without footing the bill, enjoying a free ride as the United States builds domestic debt. We must focus here on Germany and the United States because Germany is the center of gravity of the European economy just as the United States is of the Anglo-American bloc. Others are involved, but in the end this comes down to a U.S.-German showdown.

German Chancellor Angela Merkel argued that Germany could not afford the kind of stimulus promoted by the Anglo-Americans because German demographic problems are such that the proposed stimulus would impose long-term debt on a shrinking population, an untenable situation. Germany and France's position makes perfect sense, whether it is viewed as Merkel has framed it, or more cynically, as Germany taking advantage of actions Obama already has taken. Either way, the fact remains that German and U.S. national interest are not at all the same. As Merkel put it in an interview with The New York Times, "International policy is, for all the friendship and commonality, always also about representing the interests of one's own country."

Paralleling this is the issue of how to deal with the Central European financial crisis. Toxic U.S. assets did not create this problem, internal European practices did. Western European banks took dominant positions in Eastern Europe in the past decade. They began to offer mortgages and other loans at low interest rates denominated in euros, Swiss francs and yen. This was an outstanding deal unless the Polish zloty and the Hungarian forint were to plunge in value, which they have over the past six months. Loan payments soared, massive defaults happened, and Italian, Austrian and Swedish banks were left holding the bag.

The United States viewed this as an internal EU matter, leaving it to European countries to save their own banks. Meanwhile, the Germans -- who had somewhat less exposure than other countries -- helped block a European bailout, arguing that the Central European countries should be dealt with through the International Monetary Fund (IMF), which was being configured to solve such problems in second-tier countries. From the German point of view, the IMF was simply going to be used for the purpose for which it was created. But Washington saw this as the Germans trying to secure U.S. (and Chinese and Japanese) money to deal with a European problem.

Add to this the complexity of Opel, a German carmaker owned by GM, which Germany wants the United States to bailout but which the United States wants nothing to do with, and the fundamental problem is clear: While both Germany and the United States have a common interest in moving past the crisis, Germany and the United States have very different approaches to the problem. Embedded in this is the hard fact that the United States is much larger than any other national economy, and it will be the U.S. recovery (when it comes) pulling the rest of the world - particularly the export-oriented economies - out of the ditch. Given that nothing can change this, the Germans see no reason to put themselves in a more difficult position than they are already in.

The Germans will not yield on the stimulus issue and Obama will not press, since this is not an issue that will resonate politically. But what could be perceived as a massive U.S. donation to the IMF would resonate politically in the United States. The American political system has become increasingly sensitive to the size of the debt being incurred by the Obama administration. A loan at this time to bail out other countries would not sit well, especially when critics would point out that some of the money will be going to bail out European banks in Central Europe.

European fragmentation

Obama will need something in return from the Europeans, and the two-day NATO summit will be the place to get it. The Obama administration laid out the U.S. strategy in Afghanistan last Friday in preparation for this trip. Having given on the economic issue, Obama might hope that the Europeans would be forthcoming in increasing their commitment to Afghanistan by sending troops.

But there is almost no chance of Germany or France sending more troops, as public opinion in those countries is set against it and they have vastly limited military resources. During the U.S. presidential debates, Obama emphasized that he would be looking to the Europeans to increase aid in Afghanistan (the "good" war) while Iraq (the "bad" war) ends. The Germans will make some symbolic gestures - aid to Pakistan, reconstruction workers - but they will not be sending troops.

This will put Obama in a difficult position. If he donates money to the IMF, some of it earmarked for Europe, while the Europeans not only refuse to join the United States in a stimulus package but refuse to send troops to Afghanistan, the entire foundation of Obama's foreign policy will start becoming a public issue. Obama argued that he would be more effective in building cooperation with European allies than Bush was or U.S. Sen. John McCain would have been. If he comes home empty-handed, which is likely, the status of that claim becomes uncertain.

Which brings us to the third meeting: the Obama-EU summit. We have been speaking of Germany as if it were Europe. In one sense, it is, as its economic weight drives the system. But politically and militarily, Europe is highly fragmented. Indeed, one of the consequences of German nationalism in dealing with Europe's economy is that Europe's economy is fragmented as well. Many smaller EU members, which had great expectations of what EU membership would mean, are disappointed and alienated from Germany and even the European Union itself

largely due to the lack of German willingness to help them in their time of need.

More fertile ground for Obama

These are the waters Obama can go fishing in. Clearly, NATO is no longer functioning as it was a generation ago. Reality has shifted, and so have national interests. The international economic crisis has heightened - not reduced - nationalism as each nation looks out for itself. The weaker nations, particularly in Central Europe, have been left to fend for themselves.

The Central European countries have an additional concern: Russia. As Russia gets bolder, and as Germany remains unwilling to stand in Moscow's way due to its energy dependence on Russia, countries on the EU periphery will be shopping for new relationships, particularly with the United States.

Obama's strategy of coming closer to the Franco-German bloc appears to be ending in the same kind of train wreck in which Bush's attempts ended. That is reasonable since these are not questions of atmospherics but of national interest on all sides. It therefore follows that the United States must consider new strategic relationships. The countries bordering Russia and Ukraine are certainly of interest to the United States, and share less interests with Germany and France than they thought they did. New bilateral relations -- or even multilateral relations excluding some former partners like Germany -- might be a topic to think about at the EU summit, even if it is too early to talk about it.

But let's remember that Obama's trip doesn't end in Europe, it ends in Turkey. Turkey is a NATO member but has been effectively blocked from entry into the EU. It is doing relatively well in the economic crisis, and has a substantial military capability as well. The United States needs Turkey to extend its influence in Iraq to block Iranian ambitions, and north in the Caucasus to block Russian ambitions. Turkey is thus a prime candidate for an enhanced relationship with the United States. Excluded from Europe out of fears of Turkish immigration, economically able to stand on its own two feet, and able to use its military force in its own interest, it doesn't take a contortionist to align U.S. and Turkish policies -- they flow naturally.

However planned, Obama's visit to Turkey will represent a warning to the Germans and others in its orbit that their relationship with the United States is based, as Merkel put it, on national interest, and that Germany's interests and American interests are diverging somewhat. It also drives home that the United States has options in how to configure its alliance system, and that in many ways, Turkey is more important to the United States than Germany is.

Obama has made the case for multilateralism. Whatever that means, it does not have to mean continued alignment with all the traditional allies the United States had. There are potential new relationships and potential new arrangements. The inability of the Europeans to support key aspects of U.S. policy is understandable. But it will inevitably create a counter pressure on Obama to transfer the concept of multilateralism away from the post-World War II system of alliances toward a new system more appropriate to American national interests.

From our point of view, the talks in Europe are locked into place. A fine gloss will be put on the

failure to collaborate. The talks in Turkey, on the other hand, have a very different sense about them.

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