



SPEECH AND DISCUSSION  
DR. JUERGEN RUETTGERS  
AMERICAN COUNCIL ON GERMANY  
February 27, 2017 - Rosenmontag

Dr. Juergen Ruetters spoke on Rosenmontag at a lunch organized by the American Council on Germany and sponsored by the law firm Dentons. The crowd was bigger than normal and Dr. Ruetters spoke without a microphone, so this report may contain more inaccuracies than usual.

SUMMARY:

- Trump's threats cause European countries look to their neighbors for support.
- Claiming to be #1 and trying to dictate terms – this is not a good formula for negotiations.
- The FDP and Greens are on the bubble and need to examine their platforms. Forming a coalition will be difficult anyway.
- Martin Schulz cannot win by claiming that Schroeder's reforms were a mistake.
- The same societal dynamics which produced Trump are also at work in Germany.
- The solution to voter discontent is not Brexit-style referenda but more transparency, more attention to wage disparity and housing. 60% of small German bank accounts have no money at the end of each month.
- Germany cannot take on the leading military role in Europe, and anyway, what is it supposed to spend the money on? American missiles? How can it raise an extra 75,000 soldiers when Germans do not want to become soldiers?
- Erdogan is a problem in Germany. There are 1.2 million dual citizens and he comes to campaign in Germany. 60% of the costs of mosques in Germany comes from Ankara.
- Trade barriers will not slow the sale of German luxury cars and the price of US cars will rise as a result. No one will change manufacturing policies based on a 4-year policy change.
- Putin saw that Communism would not work and so make a pact with the Russian Orthodox Church.
- If estate tax policy changes in Germany and the Mittelstand pays more, it will become more dependent on banks and less innovative. Today, it finances expansion and research with retained earnings. They will go to the state if the law changes.

DETAILS

Dr. Ruetters started with a story about a Norwegian TV channel which showed logs burning in a fireplace for 8 hours. This was quite popular in Norway. It became the subject of jokes in Germany showing how something so innocent could become the subject of German political discussion. The left would note that only the rich can afford fireplaces. The Greens would impose a tax. The SPD would

demand higher minimum wages for loggers. Chancellor Merkel would wait and see. Talk shows would discuss the shortage of wood and whether the logs should be burned bark side out.

The stated topic of Dr. Ruettinger's talk was the upcoming elections. These include his home province of North Rhine-Westphalia [most populous state in Germany with 18 million; size of Maryland with 3 times as many people], The Netherlands, France, Norway and perhaps Spain and Italy.

NATO and the EU are new areas of discussion in Europe and the US. Europeans are less confident in America's reliability. Europeans foresee a new world order. Steve Bannon's [top Trump advisor] goal is to destroy the EU. Will the President follow this lead? Take Poland as an example of the changes the US has caused. Before the election, the Polish leader [I did not get his name] was very nasty to Ms. Merkel, despite Germany's efforts to create a closer relationship. Now he has changed his tune and is very friendly to her.

Yes, the US is a great economic power, but so is the EU. Perhaps this is behind Bannon's purpose of destroying the EU. The President claims to want to do 1:1 trade deals. But he cannot do that with Ms. Merkel. He has to go to Brussels. Many simply do not understand how the EU works. He notes that Europe is a patchwork of sub-regions not all along national lines. Germany did not create German citizens in 1871. That happened in 1913. Before that, citizenship was by province. The UK is made of 4 states. The French are not all Gauls but also Basques, Romans and Celts. As to negotiations, if a country claims to be #1 and superior to other countries, that is not a good basis for negotiations. The negotiation partner must be respected and not dictated to. Nationalism results from this attitude and from that war. [I think this was obvious to all in attendance.]

Turning to German politics – the SPD got a 6% bounce in popularity with the nomination of Martin Schulz. This is normal. But what are the issues for this election? Germany now has 7 parties. Can a stable coalition come out of this? Forming a “grand coalition” is more difficult. Red-Yellow-Green? Or Black-Yellow-Green? But the Greens are at 6.5%. They are nervous and debate strategy. It cannot be just the ecology and peace. The FDP is also at about 5%. Its answer for everything is lower taxes. And Ms. Merkel cannot campaign on “You know me very well” as she did last time.

## Q&A

The US election was a fight between the underdogs and the establishment. It could be the same thing in Germany. Most Germans disagree, but Dr. Ruettinger thinks it is possible if not likely. It could be the same debate in Russia. And what role will Russia play in the German election? Germans know hackers were active and could disclose embarrassing information during the campaign.

Germany also has “rustbelt” workers like the US. The head of the German system of savings and loan bank told him that at the end of the month, 60% of the system's customers had no money in their bank accounts. This means that if the car breaks down – this is a catastrophe. Contrary to what Ronald Reagan said, a rising tide does NOT lift all boats. So Germany needs to change. The extremes at both ends of the spectrum are against the elites. He noted that he is friends with French candidate Francois Fillon. Mr. Fillon lives in a chateau and yet his wife has a \$1 million no-show job.

Dr. Ruettinger's solution is more democracy and transparency. The cold war ended in 1989. That was a revolution. Now comes the counter revolution. Steve Bannon is a leader of this counter revolution. Germany has to have more discussions on housing and wages. The solution is not direct votes /

referenda like Brexit. But there must be more openness. Here in the US, Bannon wants to destroy democratic institutions. Politics, especially EU politics, has too many secret discussions, including among the heads of state. At this point, Mr. Ruetters cited 1933. Elites have to react to these pressures or they will pay.

As to the SPD 6% bounce, it will not last if Schulz continues as during the last 3 weeks. The SPD cannot one week say that the SPD is great due to Schroeder's reforms and then turn around and claim they were all a mistake. And all parties have to deal with details. [This was a constant theme, along with transparency and the needs of the "rustbelt" workers.] In the US, it's not enough to be against Obamacare. The Republicans have to deal with the details. The same attention to details is needed in Germany.

Dr. Ruetters recounted a meeting with US Congressman Barney Frank when Frank was still in office. Frank told Dr. Ruetters that Germany had to take on a greater military role; it had to become the military leader of Europe. This discussion occurred at the height of the Greek crisis, with the Greeks recalling the Nazi occupation of Germany. Dr. Ruetters told Frank that this was impossible. Frank said this was just an excuse and there was no alternative to Germany. Dr. Ruetters suggested France. Frank said, "They have no money." Germany has the money and France has the willingness to use force.

Now Germany enjoys high growth and is willing to invest. Unlike Ms. Thatcher [he did not name her, but she was implied], Germany is not demanding its money back. Germans are motivated to invest in anti-terrorism. It has committed to increase defense spending by 8%. It would have to double its spending to hit 2%. What would Germany spend this money on? Minister von der Leyen wants to increase the military from 174,000 to 250,000 soldiers. But no one in Germany wants to be a soldier. [I know from talking to a German soldier in a Starbucks in Hamburg that soldiers are accorded much more honor in the US than in Germany. He was stationed in El Paso, Texas. I have spoken to German military officers. They are very impressive professionals. They deserve respect.] But what should Germany invest in? What should it buy from the United States for its military? Germany is spending money in Africa, but on what?

Turkey: Erdogan is said to be coming to Germany, where there are 1.2 million Turks who hold both German and Turkish passports. 60% of the budgets of mosques in Germany come from the Turkish government. They [not clear who the "they" is] speak no German. The text of the statement to these observant Turks comes from Ankara. This creates anti-immigrant feeling.

Poles: Brexit was fueled by 800,000 Poles in the UK. But in Germany there are 1 million and they are welcome and create no problems. 30% of old Germans are given care by Poles.

Trade: Mr. Ruetters mentioned the US claim that Germany is a currency manipulator. He further noted that General Motors does not export to Germany. Wealthy Americans will stop buying BMW's or Mercedes or Porsches because of some import tariff. But US cars will become more expensive since there will be less competition. Germany had coal and steel industries like the American rust belt and dealt with those problems. [The rust belt is the source of normal Democratic support in the US, but it moved to Trump. The same voters put Reagan in office.]

Energy: Germany has been remarkably successful in switching from coal and nuclear to solar and wind. It now makes up 40% of Germany's energy production and even in the winter Germany exports energy.

China: Its population is 1.2 billion people. War is not possible. So trade is essential. Germans began building factories there to serve Germany and Europe but switched to supplying China. Now Chinese buy German companies to access manufacturing know-how.

Russia: It is Germany's neighbor and Germany knows the Russians. One should read Putin's state of the union speeches. He emphasizes that Russia is a world leader, not just a regional power as President Obama stated. He knows that Communism does not work. So he made a pact with the Russian Orthodox Church and cites it and its values in his speeches.

Hungary: Hungary is following the Russian model.

Estate Taxes: Before the formal portion of the presentation, Dr. Ruetters discussed possible changes to the German estate tax system. He explained that privately owned German companies expand and innovate with their own funds, without bank debt. If these companies are forced to pay estate taxes upon the death of their owners, they will quickly lose this independence. He said he had discussed this problem with Ms. Merkel.

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February 28, 2017  
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