



## *Germany*

<b>Subject</b>	<b>Page</b>
Ambassador Richard A. Grenell.....	117
US Relations with Germany .....	119
Economist Intelligence Unit Country Report.....	123
BBC Country Profile Timeline .....	157
Jane's Armed Forces .....	163

*This page intentionally blank*



## U.S. Embassy & Consulates in Germany

### Ambassador Richard A. Grenell

**Richard A. Grenell** arrived in Germany on May 8, 2018 and presented his credentials to President Frank-Walter Steinmeier the same day.

Grenell was a Partner with Los Angeles-based Capitol Media Partners. He has served as a senior policy and communications advisor for public officials at the local, state, federal and international levels, as well as for a Fortune 300 ranked company.

Grenell is the longest serving U.S. spokesman and political appointee at the UN in history having served from 2001-2008. In 2012, Grenell briefly served as Presidential Candidate Mitt Romney's National Security and Foreign Affairs Spokesman. His appointment made him the first openly gay spokesman for a Republican Presidential candidate. In 2001, he was appointed by President George W. Bush to serve as Director of Communications and Public Diplomacy for the United States Ambassador to the United Nations and advised four U.S. Ambassadors – John D. Negroponte, John C. Danforth, John R. Bolton and Zalmay Khalilzad in the eight years at the UN. Grenell was also appointed in 2004 as an Alternate Representative to the UN Security Council with full voting rights and privileges.

Grenell served as the United States Spokesman during the world body's most turbulent time. He led communications strategies on issues such as the war on terrorism, peacekeeping operations, the conflict in the Middle East, nuclear proliferation, Israel's security and the UN's Oil for Food Corruption investigation, to name a few.

Prior to his tenure at the UN, Grenell served as a spokesman for New York Governor George Pataki's Administration, San Diego Mayor Susan Golding, Congressman Mark Sanford and Congressman Dave Camp, former Chairman of the House Ways and Means Committee. Grenell has also served as the spokesman for many state and federal political candidates including three U.S. Presidential campaigns.

Grenell has written for the Wall Street Journal, Los Angeles Times, CBSNews, CNN and the Washington Times. Grenell's twitter feed was hailed by Time Magazine as one of the Top 10 Political sites in 2014.

Grenell taught at The University of Southern California's Annenberg School of Communications and was an Advisory Board Member of Newsmax Media. He also previously served on the Langley Intelligence Group Advisory Board.

Grenell received a Master's Degree in Public Administration from Harvard University's John F. Kennedy School of Government and his Bachelor's Degree in Government and Public Administration from Evangel College.

This is the official website of the U.S. Embassy and Consulates in Germany. External links to other Internet sites should not be construed as an endorsement of the views or privacy policies contained therein.



[← GERMANY](#)

★ ★ ★

# U.S. Relations With Germany

**BILATERAL RELATIONS FACT SHEET****BUREAU OF EUROPEAN AND EURASIAN AFFAIRS**

NOVEMBER 4, 2019

Share 

**More information about Germany is available on the Germany Page and from other Department of State publications and other sources listed at the end of this fact sheet.**

## **U.S.-GERMANY RELATIONS**

Following U.S. independence from Great Britain, the United States established the first Consulate on German soil in Hamburg in June 1790, and the second one in Bremen in 1794, both independent German states at the time. The United States established diplomatic relations with the Kingdom of Prussia in 1797, then the German Empire in 1871. U.S.-German relations were terminated in 1917 during World War I, and the United States declared war on Germany. Relations were reestablished in 1921, but were severed again in 1941 during World War II when Nazi Germany declared war on the United States. After the war, Germany was divided into four zones occupied by Allied powers; Berlin also was divided. In 1955, the United States established diplomatic relations with West Germany, which had been created out of the U.S., British, and

French zones. The United States established diplomatic relations in 1974 with East Germany, which had been created from the Soviet Union's zone. West Germany and East Germany were unified in 1990.

Germany is one of the United States' closest and strongest allies in Europe. U.S. relations with Germany are based on our close and vital relationship as friends, trading partners, and allies sharing common institutions. Our political, economic, and security relationships, critical to shared prosperity and continued stability, are based on extensive people-to-people ties and close coordination at the most senior levels.

In the political sphere, Germany stands at the center of European affairs and plays a key leadership role as a member of the G-7, G-20, the North Atlantic Treaty Organization (NATO) and the Organization on Security and Cooperation in Europe (OSCE). The United States recognizes that the security and prosperity of the United States and Germany significantly depend on each other. As allies in NATO, the United States and Germany work side by side to maintain peace and freedom. Germany plays an important role in NATO's core mission of collective defense, serving as a framework nation for NATO's Enhanced Forward Presence, regularly contributing to NATO's Baltic Air Policing, and taking the lead on NATO's Very High Readiness Joint Task Force (VJTF) for the second time in 2019. U.S. and German troops work together effectively in NATO and UN operations worldwide due in part to the joint training and capacity-building performed at U.S. military installations in Germany. The two countries have extended their diplomatic cooperation into military cooperation by maintaining peacekeeping efforts in the Balkans and Africa, and working together to encourage the evolution of open and democratic states throughout central and Eastern Europe. Germany was an integral part of the UN-mandated International Security Assistance Force (ISAF) in Afghanistan and is a Framework Nation in the NATO-led Resolute Support Mission. Following the September 11, 2001, terrorist attacks in the United States, Germany has been a reliable U.S. ally in efforts against terrorism and combating foreign fighters. Since 2015, Germany has been an active contributor to the Global Coalition to Defeat ISIS.

### **U.S. Assistance to Germany**

The United States provides no development assistance to Germany.

### **Bilateral Economic Relations**

EU Member States are collectively the United States' biggest trading partner, and Germany, as Europe's largest economy, is at the heart of that relationship. After China and the United States, Germany is the world's third-largest exporter. Every fourth job in Germany depends on exports, which accounted for 47% of Germany's GDP in 2018 (almost four times the export share of U.S. GDP).

In 2018, bilateral trade in goods and services totaled nearly \$252 billion, with U.S. exports of \$92.4 billion and imports of \$159.8 billion. All of the \$67.4 billion trade deficit in 2018 was in goods. Bilateral trade in services (\$68 billion in 2018) is roughly in balance with a U.S. surplus of \$1 billion (up from a \$3 billion deficit in 2017). Major U.S. goods export categories to Germany in 2018 were aircraft (\$8.9 billion), vehicles (\$7.2 billion), machinery (\$6.9 billion), optical and medical instruments (\$6.7 billion), and electrical machinery (\$5.5 billion). Major categories of German exports to the United States in 2018 were machinery (\$27.2 billion), vehicles (\$25.4 billion), pharmaceuticals (\$15.3 billion), optical and medical instruments (\$10.6 billion), and electrical machinery (\$8.8 billion). Many U.S. imports from Germany are investment goods such as capital equipment, enabling U.S. production and exports. German investments in the United States focus largely on manufacturing, finance and insurance, as well as, wholesale trade. Altogether, U.S. affiliates of German firms employ over 692,000 U.S. workers.

The U.S.-German Treaty of Friendship, Commerce and Navigation affords U.S. investors national treatment and provides for the free movement of capital between the United States and Germany. Taxation of U.S. firms within Germany is governed by a protocol on the avoidance of double taxation.

### **Germany's Membership in International Organizations**

Germany and the United States belong to a number of the same international organizations, including the United Nations, North Atlantic Treaty Organization, Euro-Atlantic Partnership Council, Organization for Security and Cooperation in Europe, G-20, G-7, Organization for Economic Cooperation and Development, International Monetary Fund, World Bank, and World Trade Organization. Germany also is an observer to the Organization of American States.

### **Bilateral Representation**

The U.S. Ambassador to Germany is Richard A. Grenell; other principal embassy officials are listed in the Department's Key Officers List.

Germany maintains an [embassy](#) in the United States at 4645 Reservoir Road NW, Washington, DC 20007 (tel. 202-298-4000).

More information about Germany is available from the Department of State and other sources, some of which are listed here:

[CIA World Factbook Germany Page](#)

[U.S. Embassy](#)

[History of U.S. Relations With Germany](#)

[U.S. Census Bureau Foreign Trade Statistics](#)

[Export.gov International Offices Page](#)

[Library of Congress Country Studies](#)

[Travel Information](#)

---

## TAGS

Germany

---



---

## Country Report

# Germany

**Generated on January 23rd 2020**

Economist Intelligence Unit  
20 Cabot Square  
London E14 4QW  
United Kingdom

## **The Economist Intelligence Unit**

The Economist Intelligence Unit is a specialist publisher serving companies establishing and managing operations across national borders. For 60 years it has been a source of information on business developments, economic and political trends, government regulations and corporate practice worldwide. The Economist Intelligence Unit delivers its information in four ways: through its digital portfolio, where the latest analysis is updated daily; through printed subscription products ranging from newsletters to annual reference works; through research reports; and by organising seminars and presentations. The firm is a member of The Economist Group.

### **London**

The Economist Intelligence Unit  
20 Cabot Square  
London  
E14 4QW  
United Kingdom  
Tel: +44 (0) 20 7576 8181  
Fax: +44 (0) 20 7576 8476  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **New York**

The Economist Intelligence Unit  
The Economist Group  
750 Third Avenue  
5th Floor  
New York, NY 10017, US  
Tel: +1 212 541 0500  
Fax: +1 212 586 0248  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **Hong Kong**

The Economist Intelligence Unit  
1301 Cityplaza Four  
12 Taikoo Wan Road  
Taikoo Shing  
Hong Kong  
Tel: +852 2585 3888  
Fax: +852 2802 7638  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

### **Geneva**

The Economist Intelligence Unit  
Rue de l'Athénée 32  
1206 Geneva  
Switzerland  
Tel: +41 22 566 24 70  
Fax: +41 22 346 93 47  
E-mail: [eiucustomerservices@eiu.com](mailto:eiucustomerservices@eiu.com)

This report can be accessed electronically as soon as it is published by visiting [store.eiu.com](http://store.eiu.com) or by contacting a local sales representative.

The whole report may be viewed in PDF format, or can be navigated section-by-section by using the HTML links. In addition, the full archive of previous reports can be accessed in HTML or PDF format, and our search engine can be used to find content of interest quickly. Our automatic alerting service will send a notification via e-mail when new reports become available.

## **Copyright**

© 2020 The Economist Intelligence Unit Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of The Economist Intelligence Unit Limited.

All information in this report is verified to the best of the author's and the publisher's ability. However, the Economist Intelligence Unit does not accept responsibility for any loss arising from reliance on it.

ISSN 2047-4040

## **Symbols for tables**

"0 or 0.0" means nil or negligible; "n/a" means not available; "-" means not applicable

# Germany

## Summary

2 [Briefing sheet](#)

## Outlook for 2020-24

4 [Political stability](#)  
5 [Election watch](#)  
5 [International relations](#)  
5 [Policy trends](#)  
6 [Fiscal policy](#)  
6 [Monetary policy](#)  
7 [International assumptions](#)  
8 [Economic growth](#)  
8 [Inflation](#)  
9 [Exchange rates](#)  
9 [External sector](#)  
9 [Forecast summary](#)  
10 [Quarterly forecasts](#)

## Data and charts

11 [Annual data and forecast](#)  
12 [Quarterly data](#)  
13 [Monthly data](#)  
14 [Annual trends charts](#)  
15 [Quarterly trends charts](#)  
16 [Monthly trends charts](#)  
17 [Comparative economic indicators](#)

## Summary

17 [Basic data](#)  
19 [Political structure](#)

## Recent analysis

### Politics

22 [Forecast updates](#)  
22 [Analysis](#)

### Economy

26 [Forecast updates](#)  
27 [Analysis](#)

# Briefing sheet

Editor: **Ana Andrade**

Forecast Closing Date: **December 20, 2019**

## Political and economic outlook

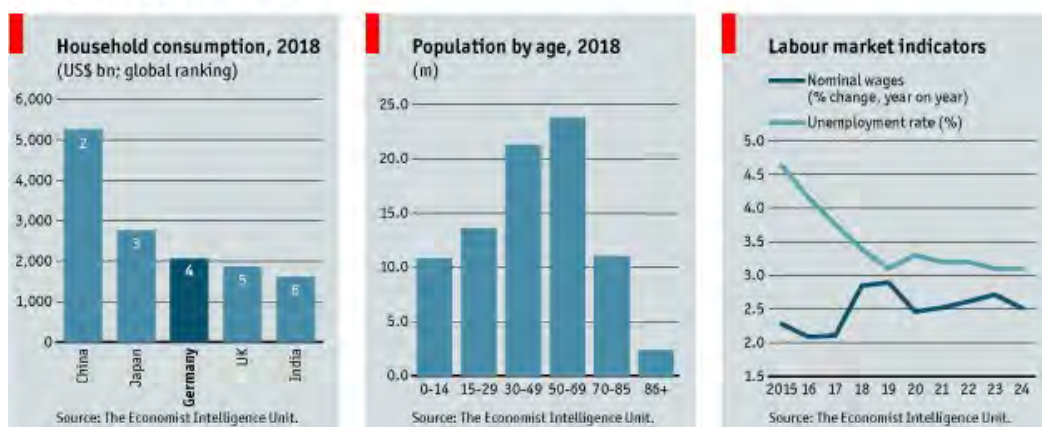
- In the September 2017 election the centre-right Christian Democratic Union (CDU) won the largest vote share. After six months of negotiations a new grand coalition between the CDU and the Social Democratic Party (SPD) was installed. Its term runs to late 2021.
- The SPD suffered significant electoral defeats in 2018-19. Its new leadership—in place since early December 2019—are fierce critics of the grand-coalition agreement and will use the threat of a government collapse to extract policy concessions from the CDU.
- The Economist Intelligence Unit expects the CDU to agree to a watered-down version of the SPD demands, diminishing the risk of a government collapse in 2020. If the SPD leaves the government, a CDU minority government is likely to remain in place.
- Real GDP growth has continued to ease in 2019, to an estimated 0.6% for the full year, as external demand slowed and industrial output fell. We forecast real GDP growth of 0.9% in 2020, recovering to a more robust average of 1.6% in 2021-24 as global trade recovers.
- Fiscal policy will remain accommodative in 2020, but the CDU's commitment to balanced budgets will persist, even amid domestic and international criticism. More meaningful fiscal stimulus is unlikely, barring a recession or a change in government.
- Germany will run large—and, for many, controversial—current-account surpluses, driven by the competitiveness of its manufacturing sector and a high level of domestic savings. The current-account surplus will average 7.1% of GDP in 2020-24 (the forecast period).

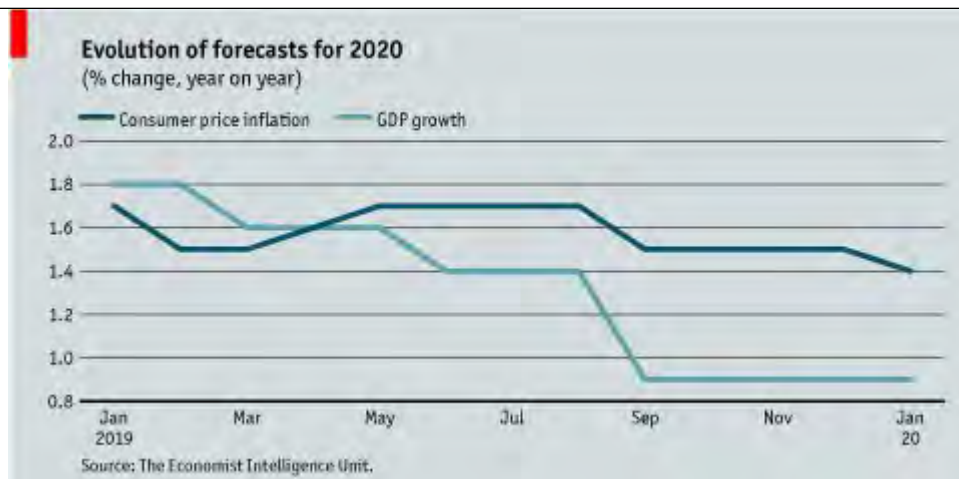
### Key indicators

	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>
Real GDP growth (%)	0.6	0.9	1.6	1.6	1.5	1.6
Consumer price inflation (av; %)	1.3	1.4	1.7	1.9	2.0	1.8
Government balance (% of GDP)	1.0	0.7	0.5	0.4	0.3	0.2
Current-account balance (% of GDP)	7.3	7.2	7.0	7.3	7.2	7.0
Money market rate (av; %)	-0.4	-0.4	-0.4	-0.4	-0.2	0.0
Unemployment rate (%)	3.1	3.3	3.2	3.2	3.1	3.1
Exchange rate US\$:€ (av)	1.12	1.13	1.16	1.21	1.24	1.24

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

### Market opportunities





## Key changes since December 10th

- On December 19th 2019 Saskia Esken and Norbert Walter-Borjans, the new leaders of the Social Democratic Party (SPD), met the leaders of the Christian Democratic Union (CDU) and Christian Social Union (CSU).
- Ms Esken and Mr Walter-Borjans were elected on a campaign to change the grand-coalition agreement. Negotiations will drag on through the first months of 2020, but we expect a consensus to be found that will allow the government to survive until 2021.
- Employment in manufacturing contracted by an annual 0.2% in October—the first decline since the global financial crisis. The decline will continue in 2020 reflecting auto industry restructuring. Our unemployment rate forecast is unchanged, at 3.3% in 2020.

## The month ahead

- **January (TBC)—Coalition negotiations:** Following their election, the new SPD leadership decided to stay in the grand coalition and put forward a list of demands that go beyond the agreement between the SPD and the CDU in 2018. Negotiations between the two parties have started and the next meeting has been scheduled for January.
- **January 9th—Balance of trade (November):** Our economic forecast uses IMF data that broadly follows the same trend as that published by Destatis, the statistics office. We estimate that the full-year trade surplus increased in 2019, following a decline in 2018. As the trade environment improves slightly, the surplus will continue to rise in 2020.
- **January 15th—Real GDP growth (2019; first estimate):** A first estimate of full-year growth in 2019 will be released by Destatis, although the fourth-quarter real GDP figure will only be published in early February. We estimate growth in 2019 at 0.6% and forecast a moderate pick up to 0.9% in 2020.

## Major risks to our forecast

Scenarios, Q4 2019	Probability	Impact	Intensity
No-deal Brexit results in a significant hit to German trade volumes	High	High	16
A housing market bubble forms and pops	Moderate	High	12
The government collapses, resulting in a snap election	Moderate	High	12
The US trade war spreads to Europe	Moderate	High	12
The government takes radical measures to prevent foreign takeovers of German companies	Very high	Low	10

Note. Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: The Economist Intelligence Unit.

## Outlook for 2020-24

### Political stability

Angela Merkel, the chancellor, has been leading a grand coalition comprising the centre-right Christian Democratic Union (CDU)—and its Bavarian sister party, the Christian Social Union (CSU)—and the centre-left Social Democratic Party (SPD) since March 2018. The September 2017 federal election delivered a more fragmented political landscape, and government-formation negotiations lasted five months. Political instability has increased by historical standards, and coalition in-fighting has been more of a feature of this legislature than its recent predecessors. The Economist Intelligence Unit believes that the current government will last its full term until 2021, led by Ms Merkel as chancellor. Significant political change in the years ahead is likely, although German politics will remain highly centrist and consensus-oriented.

Germany has not been immune to the fragmentation of political support evidenced elsewhere in Europe. The combined vote share of the two main parties fell from 87% in 1983 to 53% in 2017 and polls suggest that their joint support is currently at a low of 40%. This trend has resulted from the gradual decline in class voting; a policymaking shift to the centre, driving voters to seek more radical options; and the increasing prominence of issues outside the socioeconomic sphere. In particular, concerns about immigration and climate change have fuelled support for the far-right Alternative for Germany (AfD) and The Greens.

These trends culminated in a series of poor results for the governing parties in state elections in 2018-19, which put further pressure on their leaders. Ms Merkel announced her resignation as CDU leader in October 2018, and was replaced by Annegret Kramp-Karrenbauer, her preferred successor. However, a series of political gaffes—and a failure to reunite the party's centrist and conservative wings—have undermined Ms Kramp-Karrenbauer's position. Meanwhile the SPD has changed leadership twice in as many years. The election of the left-leaning Saskia Esken and Norbert Walter-Borjans in early December 2019 has increased risks to political stability. Still, despite their criticism of the grand coalition, the new leaders have decided to remain in government for the time being, opting instead for a reformulation of the coalition agreement with the CDU.

Our view is that the SPD will not leave the government. First, Ms Esken and Mr Walter-Borjans do not have a strong mandate to do so. They were elected by a small majority of 53%—and on a low membership turnout of 54%—and many of the senior members of the SPD, as well as the majority of its parliamentary group, strongly oppose standing down from the coalition. Second, should it quit the government, the party could be blamed for starting a political crisis—this would weigh on its already precarious level of public support. The party is currently polling at about 14%—6 percentage points below its 2017 election vote share. Lastly, the CDU is also likely to accommodate a substantially watered-down version of the SPD's list of demands in order to maintain the majority coalition.

In an alternative scenario where negotiations collapse and the SPD exits the government, we expect a CDU minority government to remain in place during Germany's presidency of the Council of the European Union in the second half of 2020. Ms Merkel would govern on the basis of the grand-coalition agreement, which the SPD's parliamentary group would be likely to support—even outside government. Under this scenario, the next federal election, scheduled for late 2021, could be brought forward to the first half of 2021.

## Election watch

The next federal election is scheduled for September 2021, but an early election is a serious possibility. Given Germany's rotating presidency of the Council of the European Union, an election could come in the first half of 2020 (very unlikely) or in early 2021 (more probable).

Current polls suggest that public support for the CDU and The Greens is running about 10 percentage points ahead of that for the SPD and the AfD. This means that the CDU is likely to be forced into coalition negotiations with The Greens. Alternative (and less likely) options include a minority CDU government, or even—in an unprecedented scenario—The Greens taking the lead in coalition negotiations. The latter could ultimately lead to a centre-left government involving the SPD.

## International relations

Germany has played a leading role in designing and leading European institutions. We do not expect its influence in this region to wane significantly after the "Merkel era". This is particularly the case given its economic dominance in the bloc and the fact that the former German defence minister, Ursula von der Leyen, is now the European Commission president. Germany's lukewarm support for France's euro zone reform proposals—and Germany's goal of redesigning security and refugee policy—are unlikely to change. The Franco-German alliance will experience frictions on the debate about Europe's future—as it always has—but will remain fundamentally strong.

Relations with the US—traditionally Germany's most important non-EU ally—have worsened significantly during the presidency of Donald Trump and will remain strained in the medium term. The US president has publicly criticised Germany for its failure to meet the NATO target of 2% of GDP spending on defence, its reliance on Russian energy and its trade surplus with the US. Following an exchange of tariffs between the US and the EU in May-June 2018, the two agreed to reach a trade agreement, although Mr Trump maintained the threat of tariffs on imported EU automobiles. The deadline to impose these tariffs passed without incident, but the risk of US protectionism remains significant, as Mr Trump could opt to launch an investigation into EU goods more broadly in 2020.

Following the annexation of Crimea in 2014, Germany took a decisive line against Russia, breaking with decades of relatively good relations, and pushing against the reluctance of many central and south European countries to impose far-reaching EU sanctions—a position that the country has since maintained. We expect the EU sanctions to continue in the medium term, although pragmatic co-operation between Germany and Russia will continue—especially on energy.

## Policy trends

A package of measures to address climate change—estimated to cost €54bn by 2023—was announced in September 2019. The deal includes a carbon price to be levied on transport and buildings from 2021; incentives to buy electric cars; and enticements to travel by train rather than air. The aim is to accelerate Germany's planned reduction of carbon emissions (by 55% from their 1990 levels before 2030). However, pro-environment organisations criticised the measures as being insufficient. The government faces a further challenge with the phasing-out of coal energy, which will have a disproportionate impact on parts of eastern Germany, where jobs are already scarce.

Meanwhile the dominant automotive sector is facing technological disruption. The government's Industry 4.0 initiative is intended to ensure that the German manufacturing sector remains at the forefront of global advances in robotics, artificial intelligence and the Internet of Things, but Germany faces strong competition from China, South Korea and Japan. Greater state support for strategic sectors (such as electric cars) and funding for innovation is planned; rules regarding foreign direct investment into the EU have been tightened.

Significant structural challenges will emerge during the 2020s related to the poor demographic outlook, with the working-age population heading into decline and the population structure ageing.

## Fiscal policy

A balanced federal budget on the national measure—the so-called schwarze Null—has long been the main target of federal government policy, and has been met (and exceeded) for the past five years. This will remain the case, despite the fact that the coalition agreement foresees fiscal easing until 2021.

The 2019 budget provided the biggest fiscal stimulus in a decade, and we estimate that the surplus will have declined to 1% of GDP, from 1.9% in 2018. Fiscal policy will remain accommodative in 2020. The 2020 budget was approved in the Bundestag (the lower house of parliament) in November 2019 and contains Germany's largest ever military budget. Defence spending will increase by €1.8bn, to 1.4% of GDP, and overall spending will increase by 1.5%. Some elements of the climate package will be implemented—the introduction of a carbon price was delayed to 2021—and about 12% of the budget will go towards infrastructure and social investment. We expect the fiscal surplus to decline to 0.7% of GDP in 2020. Germany will continue to run surpluses for the remainder of the forecast period, but at a lower average of 0.4% in 2021-24, reflecting high public investment needs, and stronger environmental and demographic pressures. Public debt will continue its downward trend, falling to just below 50% of GDP by 2024.

Discussion about whether the schwarze Null remains appropriate has greatly intensified in the context of the economic slowdown, and has put an end to the taboo around ideas such as revisiting the debt-brake rule. However, we only expect the government to run a deficit in the event of a more severe downturn (which is not our baseline scenario). In this case, an intervention similar to the €50bn stimulus package of 2009 is likely. The government has ample fiscal space to do this, should it change its stance.

## Monetary policy

The monetary policy stance in the euro zone will remain ultra-loose in the medium term, after the European Central Bank (ECB) announced a substantial stimulus package at its September meeting that included a 10-basis-point cut to its deposit rate to -0.5% and an open-ended quantitative easing programme (QE2) at €20m per month from November. Together with other recent measures, the September package will support euro zone growth, which we forecast at 1.2% in 2020, unchanged from estimated growth of 1.2% in 2019.

Christine Lagarde, the new ECB president, held her first meeting on December 12th, at which she left the monetary policy stance unchanged. During her mandate, she will oversee a comprehensive strategic review of the ECB's framework, which is set to be launched in January 2020 and concluded within the year. We expect the review to produce only modest headline changes, with the bulk of the discussions to be kept confidential. A reform-ulation of the inflation objective to a symmetrical target of 2% (from "close to, but below, 2%" currently) is likely. More generally, Ms Lagarde will use her political capital to forge consensus around the September package and the ECB's way forward. We forecast that QE2 will run until at least late 2021, with no further stimulus in 2020 (our baseline scenario excludes a severe deterioration in US-EU and UK-EU trade relations). However, in response to an adverse shock, QE2 parameters could be tweaked and the deposit rate cut further, with the latter being the politically easier and therefore more likely option.



## International assumptions

	2019	2020	2021	2022	2023	2024
<b>Economic growth (%)</b>						
US GDP	2.3	1.7	1.8	2.0	1.8	2.2
OECD GDP	1.6	1.5	1.8	1.9	1.8	2.0
EU28 GDP	1.4	1.4	1.7	1.7	1.6	1.8
World GDP	2.3	2.4	2.8	2.9	2.8	2.9
World trade	1.5	2.3	3.6	3.7	3.7	3.8
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	1.8	1.6	1.9	2.1	1.8	1.8
OECD CPI	1.9	1.8	2.0	2.2	2.1	2.0
EU28 CPI	1.5	1.5	1.8	1.9	1.9	1.9
Manufactures (measured in US\$)	-0.1	1.9	4.0	4.1	3.5	3.1
Oil (Brent; US\$/b)	64.0	63.0	67.0	71.0	73.8	71.0
Non-oil commodities (measured in US\$)	-6.6	0.8	3.9	1.8	0.9	2.5
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	2.2	1.5	1.5	1.8	2.2	2.3
€ 3-month interbank rate (av; %)	-0.4	-0.4	-0.4	-0.4	-0.2	0.0
US\$:€ (av)	1.12	1.13	1.16	1.21	1.24	1.24
¥:€ (av)	121.53	119.28	121.22	121.52	120.81	118.33

## Economic growth

Real GDP growth peaked at 2.8% in 2017, and has since slowed as the external environment has become less supportive. We estimate full-year 2019 annual growth at just 0.6%. The slowdown reflects an industrial downturn, triggered by weaker foreign demand and changes in European and German car emissions regulations. There has been a noticeable slowdown in German exports to China, which account for about 7% of total exports, in line with slowing Chinese economic growth and the US-China trade war. However, German exports to other significant trading partners have also been declining since late 2018. Exports to the UK have been hit by Brexit uncertainty, and Sweden and Turkey are experiencing a downturn. Together, these three markets make up 10% of German exports. The automotive sector is facing several challenges. Global car sales declined in 2018-19 reflecting slowing demand from China and structural shifts in this industry.

In 2020 we expect a modest pick-up in growth, to 0.9%. We forecast a rebound in the global automotive market and an acceleration in world trade growth—supported by global monetary policy easing and a stabilisation in US-China trade relations. This will provide some relief to the export-orientated German industrial sector. However, still weak economic momentum in major trading partners—including a projected US slowdown in 2020—and significant changes in the automotive industry will hamper the prospects of a substantial rebound in the industrial sector. Meanwhile, domestic demand will continue to play an important role in Germany's economic expansion. The 2020 budget foresees a more accommodative fiscal stance. Private consumption will continue to grow, underpinned by a still buoyant labour market, firm nominal wage growth, low inflation and policy measures supporting household spending. Investment will continue to contribute robustly to growth, with the construction sector running above capacity, supported by both residential investment and public infra-structure projects. From 2021 a pick-up in global demand will drive a rise in export growth, and we forecast that real GDP growth will average 1.6% in 2021-24.

The largest risk to our forecast stems from an uncertain US trade policy and the ongoing danger of further US tariffs on EU export goods. A cliff-edge Brexit at end-2020, with no trade agreement, would also damage the German economy. In the longer term, the poor demographic outlook will increasingly constrain potential growth as the working-age population declines. The inflow of young migrants in 2015-16 will mitigate the rate at which the population will age and—in the longer term—shrink, but will not change the overall trend. Technological disruption to the automotive sector also represents a structural risk, especially as Germany has been slow to shift emphasis towards electric vehicles.

### Economic growth

%	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>
GDP	0.6	0.9	1.6	1.6	1.5	1.6
Private consumption	1.6	1.4	1.3	1.5	1.4	1.5
Government consumption	2.0	2.1	2.1	1.5	1.8	1.7
Gross fixed investment	3.0	2.0	3.1	2.2	2.4	2.3
Exports of goods & services	1.2	1.7	2.5	2.3	2.2	2.4
Imports of goods & services	2.4	2.3	3.5	3.2	2.9	2.8
Domestic demand	1.1	1.2	2.1	1.9	1.7	1.7
Agriculture	-0.3	0.3	0.2	0.2	0.2	0.2
Industry	-2.9	0.4	1.0	1.2	1.2	1.2
Services	2.1	1.1	1.9	1.8	1.6	1.8

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

## Inflation

Consumer price inflation (EU harmonised) slowed substantially in 2019, to an estimated average of 1.3% for the full year, from 1.9% in 2018. This was mainly driven by a decline in global energy prices, and services inflation remained firm. In 2020 inflation should rise modestly, to 1.5%, as recent collective-bargaining agreements feed into higher wages and oil prices remain broadly stable. In 2020-24 inflation (EU harmonised) will be comparatively high within the bloc, at an annual average of 1.8%.

## Exchange rates

The euro depreciated against the US dollar in 2018-19, from a peak of US\$1.23:€1 in February 2018. This reflected the divergent monetary policy stances of the ECB and the Federal Reserve (the US central bank) and weaker growth in the euro zone, plus the threat of US tariffs on EU automotive exports and a disorderly Brexit.

Over the past few months, the euro has hovered around US\$1.11:€1. We expect a slight pick-up in early 2020, as Brexit-related uncertainty recedes, but the euro will remain weak against the dollar in historical comparison for most of the year. From 2021 onwards we forecast that it will strengthen, albeit at a gradual pace. Growth momentum in the euro zone will improve modestly as the trade outlook improves, and the ECB will take small steps towards ending its QE2 programme in late 2021, both of which will drive the euro higher. Structural support for the euro is provided by the euro zone's large current-account surplus. We forecast an end-2024 rate of US\$1.24:€1.

## External sector

Germany's current-account surpluses are large by international standards, having averaged 8.4% of GDP in 2015-17. They are underpinned by huge trade surpluses, reflecting the competitiveness of its manufacturing sector. This will continue to generate large domestic savings that are mainly invested abroad, leading to a solid primary income surplus. Trade, and primary income, surpluses will comfortably outweigh narrow structural deficits on the services and secondary income accounts. We expect the current-account surplus to remain substantial and broadly stable in 2020-24, at an average of 7.1% of GDP, from an estimated 7.3% in 2019.

## Forecast summary

### Forecast summary

(% unless otherwise indicated)

	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>
Real GDP growth	0.6	0.9	1.6	1.6	1.5	1.6
Industrial production incl construction (% change)	-3.6	0.0	1.9	1.5	1.2	1.2
Unemployment rate (av; EU/OECD standardised measure)	3.1	3.3	3.2	3.2	3.1	3.1
Consumer price inflation (av; national measure)	1.4	1.5	1.7	1.9	2.1	1.9
Consumer price inflation (av; EU harmonised measure)	1.3	1.4	1.7	1.9	2.0	1.8
Short-term interbank rate	-0.4	-0.4	-0.4	-0.4	-0.2	0.0
Government balance (% of GDP)	1.0	0.7	0.5	0.4	0.3	0.2
Exports of goods fob (US\$ bn)	1,489	1,542	1,662	1,790	1,900	1,989
Imports of goods fob (US\$ bn)	-1,224	-1,270	-1,374	-1,486	-1,591	-1,674
Current-account balance (US\$ bn)	278.5	281.9	295.2	332.1	347.7	349.9
Current-account balance (% of GDP)	7.3	7.2	7.0	7.3	7.2	7.0
Exchange rate US\$:€ (av)	1.12	1.13	1.16	1.21	1.24	1.24
Exchange rate US\$:€ (end-period)	1.12	1.14	1.19	1.23	1.24	1.24
Exchange rate ¥100:€ (av)	1.22	1.19	1.21	1.22	1.21	1.18
Exchange rate €:£ (av)	1.14	1.19	1.18	1.12	1.08	1.13

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

## Quarterly forecasts

### Quarterly forecasts

	2019				2020				2021			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
<b>GDP</b>												
% change, quarter on quarter	0.5	-0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.4
% change, year on year	1.0	0.3	0.5	0.5	0.4	0.9	1.2	1.2	1.4	1.5	1.7	1.7
<b>Private consumption</b>												
% change, quarter on quarter	0.8	0.1	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2
% change, year on year	1.5	1.4	1.8	1.7	1.2	1.5	1.5	1.4	1.4	1.3	1.2	1.1
<b>Government consumption</b>												
% change, quarter on quarter	0.6	0.6	0.8	0.2	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4
% change, year on year	1.7	1.7	2.4	2.2	2.1	2.1	1.9	2.3	2.2	2.1	2.1	2.0
<b>Gross fixed investment</b>												
% change, quarter on quarter	1.6	-0.3	-0.1	1.3	0.4	0.5	0.4	0.5	0.9	1.0	1.0	0.9
% change, year on year	4.3	3.0	2.2	2.6	1.4	2.1	2.7	1.8	2.3	2.8	3.4	3.8
<b>Exports of goods &amp; services</b>												
% change, quarter on quarter	1.6	-1.3	1.0	0.4	0.4	0.4	0.4	0.5	0.7	0.7	0.8	0.7
% change, year on year	1.7	-0.3	1.6	1.8	0.7	2.4	1.8	1.8	2.1	2.4	2.7	2.9
<b>Imports of goods &amp; services</b>												
% change, quarter on quarter	0.8	-0.1	0.1	0.8	0.6	0.7	0.6	0.7	1.0	1.0	1.0	0.9
% change, year on year	4.2	2.6	1.3	1.5	1.4	2.2	2.8	2.6	3.0	3.3	3.7	4.0
<b>Domestic demand</b>												
% change, quarter on quarter	0.0	0.3	-0.4	0.4	-2.7	-2.5	13.5	-3.0	-1.7	0.3	0.5	0.4
% change, year on year	2.0	1.7	0.3	0.3	-2.4	-5.2	8.0	4.3	5.4	8.5	-3.9	-0.5
<b>Consumer prices</b>												
% change, quarter on quarter	0.0	0.7	0.0	0.2	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4
% change, year on year	1.6	1.6	1.0	0.9	1.4	1.1	1.5	1.8	1.7	1.7	1.7	1.6
<b>Producer prices</b>												
% change, quarter on quarter	0.2	0.1	-0.4	0.3	0.4	0.4	0.5	0.5	0.7	0.7	0.7	0.7
% change, year on year	2.7	2.0	0.6	0.2	0.4	0.7	1.6	1.8	2.0	2.3	2.5	2.8
<b>Exchange rate €:US\$</b>												
Average	0.88	0.89	0.90	0.90	0.89	0.89	0.88	0.88	0.88	0.87	0.86	0.85
End-period	0.89	0.88	0.92	0.90	0.89	0.89	0.88	0.88	0.87	0.87	0.85	0.84
<b>Interest rates (%; av)</b>												
Money market rate	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Long-term bond yield	0.1	-0.1	-0.4	-0.6	-0.5	-0.4	-0.2	-0.1	0.1	0.3	0.4	0.4

# Data and charts

## Annual data and forecast

	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>a</sup>	2018 <sup>a</sup>	2019 <sup>b</sup>	2020 <sup>c</sup>	2021 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ bn)	3,359	3,462	3,669	3,957	3,830	3,934	4,213
Nominal GDP (€ bn)	3,027	3,128	3,249	3,349	3,419	3,497	3,640
Real GDP growth (%)	1.5	2.1	2.8	1.5	0.6	0.9	1.6
<b>Expenditure on GDP (% real change)</b>							
Private consumption	1.8	2.0	1.6	1.2	1.6	1.4	1.3
Government consumption	2.8	4.1	2.4	1.4	2.0	2.1	2.1
Gross fixed investment	1.2	3.6	3.1	3.5	3.0	2.0	3.1
Exports of goods & services	4.9	2.2	5.5	2.3	1.2	1.7	2.5
Imports of goods & services	5.4	4.2	5.7	3.7	2.4	2.3	3.5
<b>Origin of GDP (% real change)</b>							
Agriculture	-13.7	-1.7	-2.7	-1.3	-0.3	0.3	0.2
Industry	0.4	3.7	3.3	1.7	-2.9	0.4	1.0
Services	1.8	1.5	2.7	1.5	2.1	1.1	1.9
<b>Population and income</b>							
Population (m)	82.2	82.6	82.8	82.8	82.8	82.8	82.9
GDP per head (US\$ at PPP)	47,353	49,284	52,054	53,209	54,787	56,274	58,243
Recorded unemployment (av; %)	4.6	4.2	3.8	3.4	3.1	3.3	3.2
<b>Fiscal indicators (% of GDP)</b>							
General government budget revenue	45.0	45.6	45.6	46.4	46.3	46.8	46.3
General government budget expenditure	44.1	44.4	44.4	44.5	45.4	46.0	45.9
General government budget balance	0.9	1.2	1.2	1.9	1.0	0.7	0.5
Public debt	72.2	69.3	65.2	61.8	59.5	57.4	54.7
<b>Prices and financial indicators</b>							
Exchange rate US\$:€ (end-period)	1.09	1.05	1.20	1.15	1.12	1.14	1.19
Exchange rate ¥:€ (end-period)	130.9	123.1	135.1	125.6	118.5	120.4	121.5
Consumer prices (end-period; %)	0.2	1.7	1.5	1.8	1.5	1.6	1.8
Producer prices (av; %)	-1.7	-1.6	2.4	2.6	1.4	1.1	2.4
Lending interest rate (av; %)	1.8	1.6	1.7	1.7	1.4	1.7	1.9
<b>Current account (US\$ bn)</b>							
Trade balance	276	280	286	262	264	272	288
Goods: exports fob	1,294	1,305	1,419	1,527	1,489	1,542	1,662
Goods: imports fob	-1,019	-1,025	-1,133	-1,265	-1,224	-1,270	-1,374
Services balance	-21	-24	-25	-24	-32	-35	-36
Primary income balance	77	83	92	108	108	109	110
Secondary income balance	-43	-45	-56	-56	-62	-64	-66
Current-account balance	288	294	296	290	278	282	295

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Sources: IMF, International Financial Statistics; European Central Bank; Federal Statistical Office; UN; Eurostat; OECD.

## Quarterly data

	2017	2018				2019		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
<b>Central government finances (€ bn)</b>								
Revenue	99.5	87.9	94.5	91.7	100.4	84.7	97.7	n/a
Expenditure	96.2	83.9	79.8	95.9	103.9	86.1	90.3	n/a
Balance	3.3	4.0	14.7	-4.2	-3.5	-1.4	7.4	n/a
<b>Output (seasonally adjusted)</b>								
GDP at chained 2010 prices (€ bn) <sup>a</sup>	803.3	804.3	807.4	806.6	808.3	812.1	810.1	810.8
GDP at chained 2010 prices (% change, year on year)	3.4	2.3	2.1	1.1	0.6	1.0	0.3	0.5
GDP at chained 2010 prices (% change, quarter on quarter)	0.7	0.1	0.4	-0.1	0.2	0.5	-0.2	0.1
Manufacturing industry (2010=100)	106.7	106.5	107.1	105.6	104.3	103.6	101.7	100.7
Intermediate goods	107.4	106.1	106.3	105.2	104.4	104.4	101.6	99.7
Capital goods industry	106.9	106.8	107.5	104.7	105.0	103.2	101.9	101.5
Consumer durables	107.8	107.0	106.7	106.1	104.7	106.6	104.3	105.5
Other consumer goods	104.2	106.6	108.9	109.9	102.2	102.2	101.4	99.5
<b>Employment, wages and prices</b>								
Employment (seasonally adjusted; m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU harmonised unemployment rate (seas adj; % of the labour force)	3.6	3.5	3.4	3.4	3.3	3.2	3.1	3.1
Jobs vacant ('000)	1,183.2	1,190.3	1,214.1	1,237.4	1,458.4	1,380.3	1,389.2	n/a
Negotiated monthly earnings (2010=100)	105.0	105.9	107.2	107.4	108.1	109.0	109.3	111.7
EU harmonised consumer prices (2015=100)	102.6	103.1	103.8	104.5	104.8	104.7	105.5	105.5
EU harmonised consumer prices (% change, year on year)	1.6	1.5	1.9	2.2	2.1	1.6	1.6	1.0
Producer prices, seas adj, manufacturing (2010=100)	101.4	102.1	103.0	104.0	104.7	104.9	105.0	104.6
<b>Financial indicators</b>								
Exchange rate US\$:€ (av)	1.18	1.23	1.19	1.16	1.14	1.14	1.12	1.11
Exchange rate US\$:€ (end-period)	1.20	1.23	1.17	1.16	1.15	1.12	1.14	1.09
ECB repo rate (end-period; %) <sup>b</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3-month Euribor rate (av; %)	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4
DAX share price index (end- period; Dec 30th 1987=1,000)	12,918	12,097	12,306	12,247	10,559	11,526	12,399	12,428
<b>Sectoral trends (seasonally adjusted)</b>								
New orders, volume (2010=100)								
Manufacturing	111.4	109.3	108.2	106.9	107.4	102.9	102.0	101.1
Domestic	106.9	104.3	102.8	103.4	103.2	100.5	96.5	96.1
Foreign	114.8	113.1	112.2	109.5	110.6	104.7	106.2	104.8
Construction index (2010=100)	110.0	112.9	118.7	119.2	119.4	124.0	124.7	125.0
Housing permits issued ('000)	91.3	77.8	90.7	94.3	84.5	75.6	89.0	93.2
Retail sales (excl autos; 2010=100)	106.9	105.9	108.3	107.7	108.1	110.2	110.4	111.2
<b>Foreign trade &amp; payments (€ bn)</b>								
Exports fob	329.0	327.3	331.7	330.8	333.3	335.2	330.4	332.4
Imports cif	-264.6	-264.6	-271.5	-278.3	-277.4	-278.9	-276.3	-274.8
Trade balance	64.4	62.7	60.1	52.5	56.0	56.3	54.1	57.6
Current-account balance	75.3	71.2	60.6	48.0	66.2	66.7	59.9	63.2

<sup>a</sup> Working day adjusted. <sup>b</sup> Minimum bid rate for main refinancing operations.

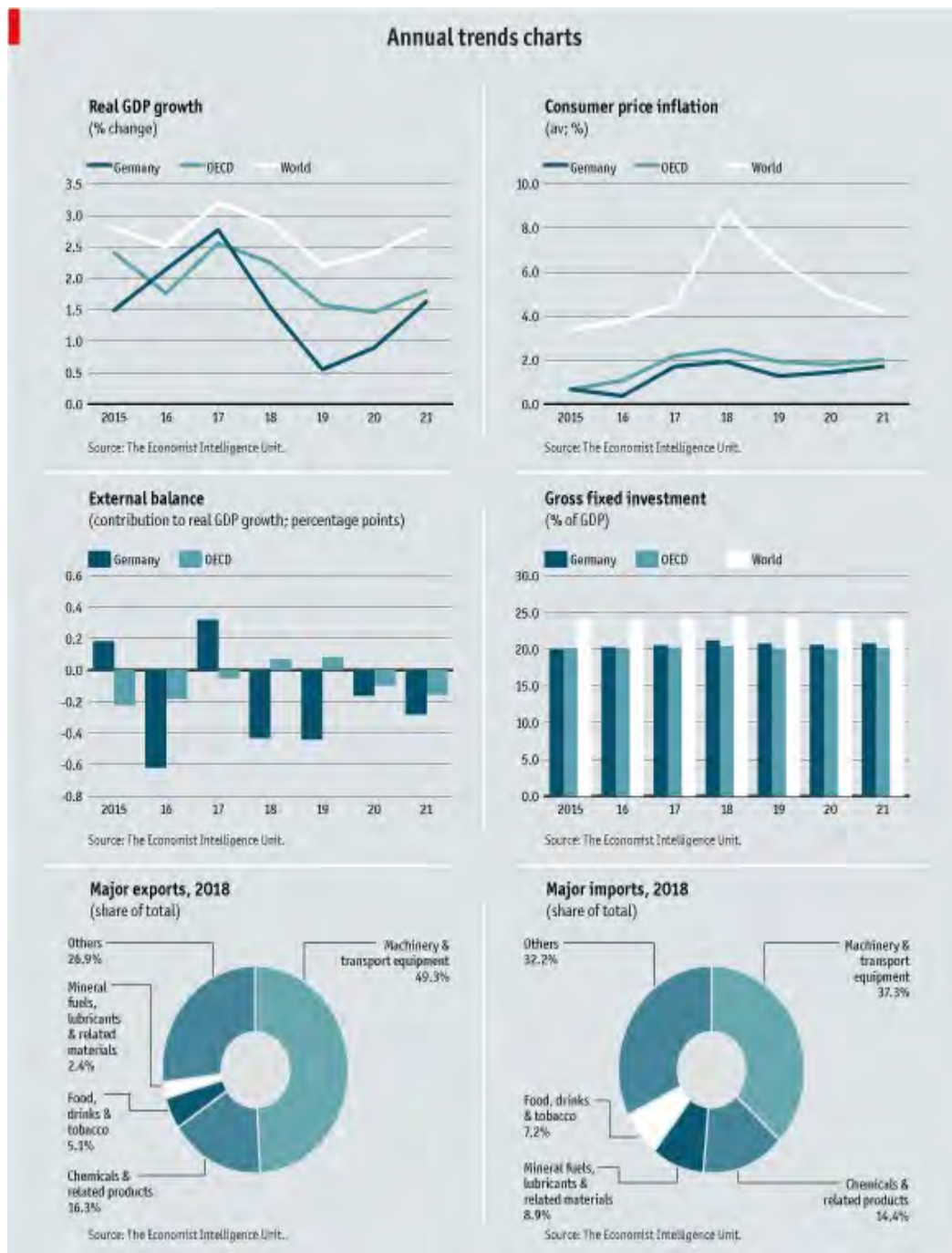
Sources: Bundesbank, Monatsbericht; OECD, Main Economic Indicators; Federal Statistical Office (Destatis).

## Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate US\$:€ (av)</b>												
2017	1.06	1.06	1.07	1.07	1.11	1.12	1.15	1.18	1.19	1.18	1.17	1.18
2018	1.22	1.23	1.23	1.23	1.18	1.17	1.17	1.15	1.17	1.15	1.14	1.14
2019	1.14	1.14	1.13	1.12	1.12	1.13	1.12	1.11	1.10	1.11	1.11	n/a
<b>Exchange rate US\$:€ (end-period)</b>												
2017	1.08	1.06	1.07	1.09	1.12	1.14	1.17	1.18	1.18	1.16	1.18	1.20
2018	1.25	1.22	1.23	1.21	1.17	1.17	1.17	1.17	1.16	1.13	1.14	1.15
2019	1.15	1.14	1.12	1.12	1.12	1.14	1.12	1.10	1.09	1.12	1.10	n/a
<b>Real effective exchange rate (2010=100; CPI-basis)</b>												
2017	93.1	92.9	92.8	92.7	93.9	94.5	95.6	96.6	96.6	96.1	96.2	96.5
2018	96.9	96.9	97.2	97.1	96.6	96.4	97.1	97.3	98.1	97.3	96.7	96.6
2019	96.0	95.6	95.1	95.4	95.7	96.0	95.5	95.7	95.2	95.1	n/a	n/a
<b>Deposit rate (av; %)</b>												
2017	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.1
2018	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
2019	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.2	0.1	n/a	n/a	n/a
<b>Lending rate (av; %)</b>												
2017	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
2018	1.7	1.7	1.7	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
2019	1.7	1.6	1.6	1.5	1.5	1.4	1.3	1.2	1.1	n/a	n/a	n/a
<b>Industrial production (% change, year on year)</b>												
2017	-0.5	1.1	1.9	2.9	4.7	2.8	4.1	4.6	4.0	2.3	5.7	6.5
2018	5.2	1.6	3.2	1.3	2.9	2.5	0.7	-0.8	-0.1	0.6	-3.8	-2.4
2019	-3.1	-0.6	-1.4	-2.8	-4.4	-4.9	-4.2	-4.0	-4.5	-5.3	n/a	n/a
<b>Retail sales, excl autos (% change, year on year)</b>												
2017	1.2	2.0	5.5	4.0	4.6	4.9	3.4	2.7	5.6	1.2	4.5	3.2
2018	2.9	1.5	-0.1	4.4	1.5	1.9	1.9	2.2	0.4	2.1	1.9	-0.7
2019	3.3	4.7	4.0	0.6	1.7	3.6	3.0	3.3	3.5	1.2	n/a	n/a
<b>DAX share price index (end-period; Dec 30th 1987=1,000)</b>												
2017	11,535	11,834	12,313	12,438	12,615	12,325	12,118	12,056	12,829	13,230	13,024	12,918
2018	13,189	12,436	12,097	12,612	12,605	12,306	12,806	12,364	12,247	11,448	11,257	10,559
2019	11,173	11,516	11,526	12,344	11,727	12,399	12,189	11,939	12,428	12,867	13,236	n/a
<b>Consumer prices (av; % change, year on year)</b>												
2017	1.9	2.2	1.8	1.8	1.3	1.7	1.6	1.8	1.8	1.5	1.7	1.5
2018	1.6	1.3	1.6	1.5	2.4	2.0	2.2	2.1	2.2	2.5	2.1	1.8
2019	1.7	1.7	1.6	1.9	1.3	1.5	1.2	1.1	0.8	0.9	1.2	n/a
<b>Producer prices, manufacturing (av; % change, year on year)</b>												
2017	2.0	2.6	2.6	2.9	2.6	2.2	2.1	2.3	2.6	2.3	2.3	2.1
2018	1.8	1.7	1.8	1.9	2.4	2.8	2.9	3.1	3.4	3.5	3.5	2.9
2019	2.8	2.8	2.6	2.6	2.0	1.4	1.3	0.6	0.1	-0.3	-0.4	n/a
<b>EU harmonised unemployment rate (seas adj; %)</b>												
2017	3.9	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.7	3.6	3.6	3.6
2018	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3
2019	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	n/a	n/a
<b>Total exports fob (€ bn)</b>												
2017	103.0	105.5	104.7	106.4	107.0	105.2	105.6	108.1	107.7	107.5	110.9	110.6
2018	110.2	107.9	109.2	109.7	111.0	110.9	110.3	110.7	109.9	110.8	110.7	111.9
2019	112.0	110.9	112.4	109.4	110.4	110.6	110.8	110.0	111.6	113.2	n/a	n/a
<b>Total imports fob (€ bn)</b>												
2017	84.0	84.1	85.6	86.2	86.8	84.0	85.3	86.8	85.6	86.8	88.6	89.3
2018	89.0	88.2	87.4	89.9	90.4	91.2	94.0	92.1	92.2	92.9	92.0	92.4
2019	93.6	92.6	92.8	92.1	91.8	92.4	91.2	91.3	92.4	92.8	n/a	n/a
<b>Trade balance fob-fob (€ bn)</b>												
2017	19.0	21.4	19.1	20.3	20.1	21.2	20.3	21.3	22.2	20.7	22.4	21.3
2018	21.2	19.8	21.8	19.9	20.6	19.7	16.3	18.6	17.7	17.8	18.7	19.5
2019	18.4	18.4	19.5	17.3	18.6	18.3	19.6	18.7	19.2	20.4	n/a	n/a

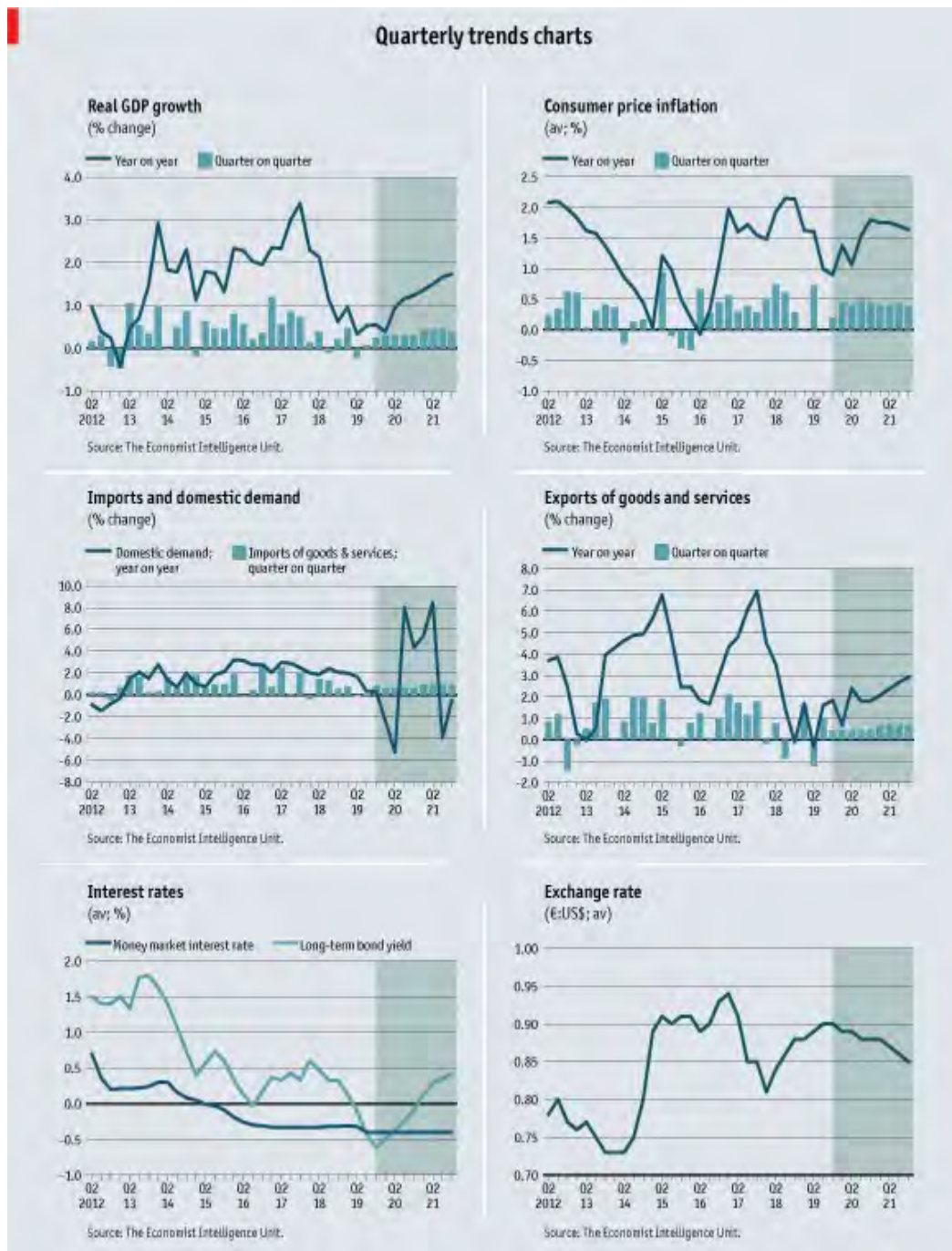
Sources: IMF, International Financial Statistics; Haver Analytics.

# Annual trends charts





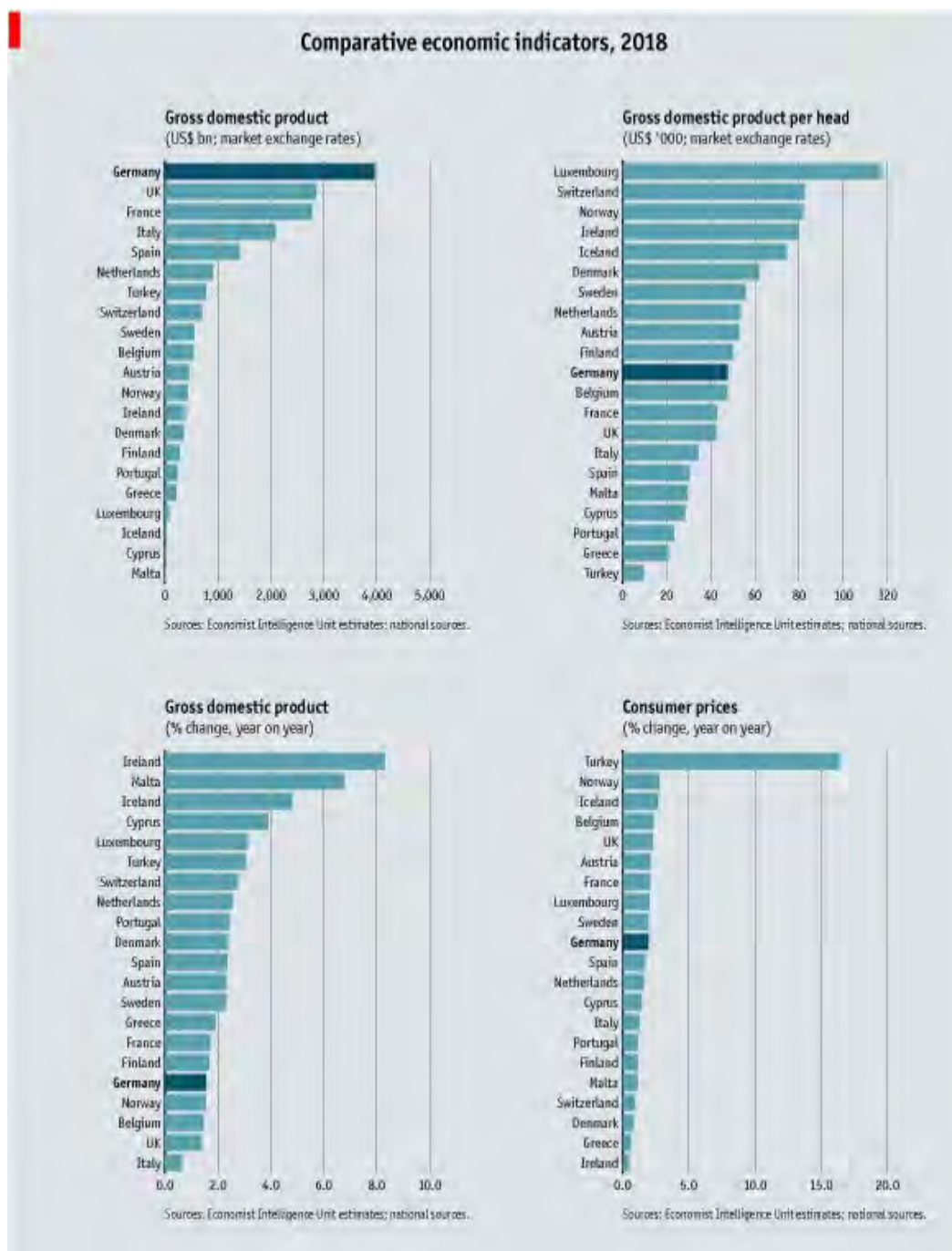
# Quarterly trends charts



# Monthly trends charts



# Comparative economic indicators



## Basic data

### Land area

356,970 sq km, of which 55% is agricultural land and 29% forest

### Population

83m (end-2018 estimate; UN)

### Main cities

Population in '000 (end-2012)

Berlin (capital): 3,375

Hamburg: 1,734

Munich (München): 1,388

Cologne (Köln): 1,024

Frankfurt am Main: 688

Stuttgart: 598

## Climate

Temperate

## Weather in Frankfurt (altitude 125 metres)

Hottest month, July, 15-20°C (average daily minimum and maximum); coldest month, January, minus 1-3°C; driest month, February, 40 mm (average monthly rainfall); wettest month, June, 70 mm

## Language

German

## Weights and measures

Metric system

## Currency

Euro (€ = 100 cents)

## Time

1 hour ahead of GMT in winter, 2 hours ahead in summer

## Fiscal year

January-December

## Public holidays

January 1st (New Year's Day), April 10th (Good Friday), April 13th (Easter Monday), May 1st (Labour Day), May 21st (Ascension Day), June 1st (Whit Monday), October 3rd (Reunification Day), December 25th and 26th (Christmas); additional public holidays apply for various states





## Political structure

### Official name

Bundesrepublik Deutschland (Federal Republic of Germany)

### Legal system

---

Based on the Grundgesetz (Basic Law) of 1949

## Unification

The states (Länder) of the former German Democratic Republic (East Germany) acceded to the Federal Republic on October 3rd 1990

## National legislature

Bicameral parliament. The Bundestag (the lower house), currently with 631 members (299 directly elected from individual constituencies; 332 through party lists in each state, so as to obtain proportional representation). Parties must win at least 5% of the national vote, or three constituency seats, to gain representation. The Bundesrat (the upper house) comprises members nominated by 16 state governments; there is currently a centre-left majority

## National elections

Most recent elections: February 2017 (presidential); September 2017 (federal). Next elections: 2021 (federal); presidential (2022)

## Head of state

Federal president, elected for a maximum of two five-year terms by the Federal Assembly, consisting of members of the Bundestag and representatives of the state legislatures. Largely a ceremonial role. Frank-Walter Steinmeier (SPD) was elected on February 12th 2017

## State legislature

Each state has an elected legislature. State governments and parliaments have considerable responsibilities, including education and policing

## National government

The federal government is led by the chancellor, who is elected by the Bundestag on the nomination of the federal president. The leader of the centre-right Christian Democratic Union (CDU), Angela Merkel, is now serving her fourth and final term as chancellor

## Main political parties

Christian Democratic Union (CDU); its Bavarian sister party, Christian Social Union (CSU); Social Democratic Party (SPD); Left Party; Alliance 90/The Greens; Free Democratic Party (FDP); Alternative for Germany (AfD)

## Key ministers

Chancellor: Angela Merkel (CDU)

Defence: Annegret Kramp-Karrenbauer (CDU)

Economic co-operation & development: Gerd Müller (CSU)

Economics & energy: Peter Altmaier (CDU)

Education & research: Anja Karliczek (CDU)

Environment, nature conservation & nuclear safety: Svenja Schulze (SPD)

Family affairs, senior citizens, women & youth: Franziska Giffey (SPD)

Finance: Olaf Scholz (SPD)

Food & agriculture: Julia Klockner (CDU)

Foreign affairs: Heiko Maas (SPD)

Health: Jens Spahn (CDU)

Interior: Horst Seehofer (CSU)

Justice & consumer protection: Katarina Barley (SPD)

---

Labour & social affairs: Hubertus Heil (SPD)

Special tasks: Helge Braun (CDU)

Transport & digital infrastructure: Andreas Scheuer (CSU)

## **President of the central bank**

Jens Weidmann

# Recent analysis

Generated on January 23rd 2020

The following articles were published on our website in the period between our previous forecast and this one, and serve here as a review of the developments that shaped our outlook.

## Politics

### Forecast updates

#### WTO's dispute-settlement mechanism collapses

December 11, 2019: International relations

#### Event

On December 10th two of the three remaining judges on the appellate body of the World Trade Organisation (WTO)—the main dispute-settlement body of that institution—retired from service. As a minimum quorum of three judges is required for the appellate body to function, the event effectively marked the collapse of the WTO's dispute-settlement mechanism.

#### Analysis

The US has had long-standing grievances with the appellate body (and the WTO more generally), even in the face of several WTO cases that it has [won recently](#). These objections also predated the administration of Donald Trump, the current US president.

US concerns over the role of the appellate body—including allegations that it had overstepped its jurisdiction—arose during the presidency of George W Bush (2000-08), whose administration took issue with the body's findings that the US methodology for calculating anti-dumping and countervailing duties (a controversial practice known as "zeroing") were not WTO-compliant. This attitude hardened under the presidency of Barack Obama (2008-12), who blocked the reappointment of two appellate body judges (and obstructed consensus over the appointment of a third) during his time in office.

Mr Trump has since maintained this strategy of blocking appointments. The Economist Intelligence Unit had expected this outcome because of the president's long-harboured hostility towards the WTO. However, the collapse of the dispute-settlement mechanism will not immediately spell doom for either the WTO itself or the future of global commerce. We continue to expect global trade growth (by volume) to rebound modestly into positive territory in 2020, as the world acclimatises to the "new normal" of US-China economic tension and trade demand stabilises across major markets.

Nevertheless, the dissolution of the WTO's main dispute-settlement mechanism will erode important constraints on protectionist bad behaviour. There is now a growing risk that the lack of an international arbiter will allow both existing and future trade disputes to escalate more quickly. This will be particularly critical as the US-China trade war persists into 2020, while emerging disputes elsewhere—such as between [South Korea and Japan](#), [France and the US](#) and [the EU and Malaysia](#)—weigh on the prospects of trade liberalisation more generally. Without the appellate body, these and other potential trade conflicts will continue to cast a shadow over world trade next year.

#### Impact on the forecast

We had anticipated that the WTO appellate body would cease to function by December, and have already built this event into our forecasts from 2020 onwards.

#### Analysis



## CDU faces a challenging 2020

December 17, 2019: Domestic politics

- **The ruling Christian Democratic Union (CDU) is currently facing multiple challenges.**
- **It is under pressure from the Social Democratic Party (SPD), its coalition partner, to renegotiate the coalition agreement. We expect a compromise to be reached and the government to remain in office throughout 2020.**
- **The CDU's current leader, Annegret Kramp-Karrenbauer, is highly unpopular in Germany and within the party. There is a chance that in 2020 the CDU could put forward a different candidate for chancellor.**
- **The party also has to choose how to position itself on issues such as immigration, defence and the environment, which are set to dominate the political agenda in the coming years. This will be a challenge, given that The Greens, which hold divergent views on these topics, are the CDU's most likely future governing partner.**

The CDU won just 33% of the vote at the federal election in 2017, its worst result since 1949, and its membership has declined to levels comparable with the early 1970s. As the 2021 election approaches, the CDU is facing multiple challenges. Its most immediate hurdle is to ensure that the grand coalition with the SPD lasts its full term. However, the party also needs to resolve its leadership dilemma and reposition itself on key policy issues, amid an increasingly fragmented political landscape where Alliance 90/The Greens and the far-right Alternative for Germany (AfD) present compelling alternatives.

### The SPD: a difficult coalition partner

Risks to Germany's political stability have increased considerably since the SPD elected a left-leaning leadership in early December, with the party now [pushing to renegotiate the coalition agreement](#). If the CDU does not accommodate some of the SPD's policy demands, the SPD could decide to quit the government. This is a serious possibility, but not our baseline scenario. Exiting the coalition could backfire on the SPD, as voters could punish it for triggering a political crisis; it is also a deeply unpopular option among the party's senior members and parliamentary group. Moreover, we believe that there is room for agreement between the SPD and the CDU, as both parties want to avoid a snap election. The SPD is polling at a low of 13% support, and Ms Kramp-Karrenbauer remains unpopular in Germany and within the party. Germany's presidency of the Council of the European Union in the second half of 2020 also acts as a strong incentive for the parties to reach an agreement. We expect the CDU to agree to a watered-down version of the SPD's demands. Formal negotiations have not yet started, but the parties have agreed to meet before Christmas. A particular sticking point will be whether to reopen the 2020 budget.

In an alternative scenario where negotiations collapse and the SPD exits the government, we expect a CDU minority government to remain in place during Germany's presidency of the Council of the European Union in the second half of 2020. Angela Merkel, the chancellor, would govern on the basis of the grand-coalition agreement, which the SPD's parliamentary group would be likely to support—even outside government. Under this scenario, the next federal election, scheduled for late 2021, could be brought forward to the first half of 2021.

### The leadership dilemma

Ms Kramp-Karrenbauer has been the CDU's leader for a year, but her approval ratings contrast sharply with those of previous party leaders such as Helmut Kohl, the chancellor in 1982-98, and Ms Merkel, chancellor since 2005. At the national level Ms Kramp-Karrenbauer has just 18% of public support. Within her own party, only 32% expect her to be a successful CDU leader, and only 35% believe that she will be the party's chancellor candidate at the next federal election.

It is highly unusual for the CDU to be grappling with leadership questions this late in the electoral cycle. However, in light of Ms Kramp-Karrenbauer's failure to reunite the party's centrist and conservative wings, there remains a possibility of a fresh leadership challenge from one of her former competitors—the leader of the CDU-Christian Social Union (CSU) group in the Bundestag (the lower house of parliament), Friedrich Merz; or the health minister, Jens Spahn. Another theoretical possibility is for the CDU to appoint someone else as chancellor candidate—although Ms Kramp-Karrenbauer did her best to rule this out [at the party's annual conference](#) in November. A challenge either to her leadership or to her position as chancellor candidate in waiting could be

triggered by a poor result for the CDU at the state election in Hamburg in February 2020 or by a further decline in opinion polls (where the party is currently at 28%).

This popular disquiet over Ms Kramp-Karrenbauer's leadership partly results from the lack of clarity about her stance on different issues, which is becoming more pressing as the next election looms. Polls suggest that The Greens—currently polling at 21%—stand a realistic chance of joining a CDU-led government as the junior coalition partner in 2021. The parties have governed together in a number of states, but a "Black-Green" coalition would be the first one at the federal level. However, brokering agreement on the policy details would be challenging.

## Policy challenges ahead

**Immigration** is one area where the CDU and The Greens have divergent views. The CDU will continue with its targeted approach to recruiting skilled workers from abroad, particularly for the information technology, healthcare and engineering sectors. This will be popular with the CDU's conservative voters. In addition, by proposing to tighten aspects of the asylum system, the party might stem the outflow of voters to the far-right AfD. However, this tougher stance clashes with The Greens' aim of easing migration policy. The party wants to reform the citizenship law to facilitate family reunification for refugees in Germany. A compromise is achievable, but risks alienating sections of both parties.

On **defence**, we expect significant disagreement between the CDU and The Greens. The next government will face ongoing demands from NATO and the US to increase its defence budget. Yielding to these would be difficult given the pacifist tradition in Germany and public discomfort with the idea of bringing spending up to the 2% of GDP NATO target, as that would make the German defence budget the largest in Europe.

Questions around **tax and spending** will also be contentious. At present, the CDU is holding to its "[schwarze Null](#)" policy, resisting calls for further investment spending in order to keep the federal budget in balance. This is popular among the party's fiscal conservatives but is facing increasing criticism, both at home and abroad. It directly clashes with The Greens' view that substantially higher spending is needed for comprehensive action on the environment. Their plans include an expansion of public transport, zero-emission cars, the end of Germany's coal plants and a system of tax incentives to lower CO2 emissions. The Greens have also advocated the reformulation of the debt-brake rule embedded in the German constitution. Finding common ground on this will be demanding.

## Macron the disruptor

December 23, 2019: International relations

**Ever since his election in 2017 Emmanuel Macron, the French president, has been pushing for change in the EU. Initial efforts to re-energise the Franco-German alliance fell flat, and more recently he has been pursuing a more Gaullist foreign policy, disconcerting allies in the EU by making unilateral pronouncements on controversial topics. This is a far cry from the consensus-building approach that the bloc usually follows and has resulted in some collateral damage; but it has also succeeded in sparking substantive debates about the future of NATO and the EU. The question of how Europe can ensure its strategic autonomy in a world where the US is a less reliable partner and China a fast-growing "systemic rival" will be hotly debated in 2020.**

Mr Macron's comments in an interview with *The Economist* newspaper in November that the NATO alliance was suffering "brain death", with no strategic co-ordination between the US and its allies, sparked a flurry of headlines. This comment came in the wake of the [Turkish offensive in northern Syria](#) and was clearly intended as a wake-up call. Elsewhere in the interview Mr Macron spoke of the "exceptional fragility of Europe" in the context of a less engaged US, a rising China and the power of authoritarian leaders on the region's borders, and implied an existential threat to the region, should it fail to think of itself as a "global power".

The president's comments were of a piece with his vision for a more sovereign and self-assertive Europe, as expressed in [his speech](#) at the Sorbonne University two years earlier. However, the context has changed. Then, Mr Macron's aim was to convince the German chancellor, Angela Merkel, of the need for action, and of France's value as an equal partner in the EU in pushing for reform. This was not successful—Ms Merkel balked at the lofty visions expressed and failed to

respond in kind. Mr Macron's proposed euro zone budget, for example, was diluted into a much smaller instrument to support competitiveness. Now, with Ms Merkel approaching the end of her final term as chancellor and the UK on the verge of leaving the EU, Mr Macron is acting on his own.

## EU enlargement: on ice

This was most obvious in October when the French president vetoed the start of EU membership accession negotiations with Albania and North Macedonia, prompting [consternation in the western Balkans](#) and strong criticism from the leaders of the EU institutions. North Macedonia in particular had made substantial efforts to allow the start of these talks, going so far as to change its name in order to resolve a long-standing dispute with Greece. Denmark and the Netherlands joined Mr Macron in opposing opening negotiations with Albania, but not North Macedonia. The western Balkans had been aware for some time that EU enlargement was effectively frozen, given its unpopularity with voters in most of the EU; however, this was the first outright veto that the region had faced.

Mr Macron's motivations were twofold. The first was domestic. Immigration is a difficult issue in France—as elsewhere in Europe—and the main political challenge at the next election will be from the far right. The government is already [shifting to the right on this subject](#), with a tougher asylum policy and quotas for immigration from outside the EU. Refusing further EU enlargement is another way for the president to show that he is tough on immigration and protective of France. Mr Macron also referred to the terrorist threat posed by jihadis returning to Bosnia and Hercegovina (BiH) from Syria. After three large-scale terrorist attacks on French soil in 2015-16, this is an emotive subject—although it is unlikely that the start of (lengthy) accession negotiations would raise this risk.

The second motivation relates to Mr Macron's belief in the need for reform of the EU and of the enlargement process itself. In a non-paper published in November he reaffirmed his support of the "European perspective" of the western Balkans, but argued that the accession process should be: reformed to be more gradual; more stringent; include more tangible benefits before full accession is achieved; and subject to reversal in the event of backsliding. This leaves the door open to further discussion about these countries' accession prospects in future, but also raises questions about the eventual destination of the process—perhaps a partnership model rather than full membership.

The French veto has had an immediate negative impact on the western Balkans. For decades EU accession has been the ultimate aim of all political effort in the region, and has informed social and cultural identities. Mr Macron's veto has prompted public and political turmoil—including the collapse of the government in North Macedonia—and his comments about NATO's weaknesses have [cast doubt on the security guarantee](#) provided by the alliance. The vacuum left by the EU's uncertain commitment is likely to be filled by other global and regional players, with China, Russia and Turkey already vying for economic—and political—influence.

## A détente with Russia?

The other subject on which Mr Macron has sparked dissension recently is Russia. He argued in August that pushing Russia away would be a "major strategic error" for Europe, as this would lead to either Russian isolation, or stronger ties with China—neither of which would be in the EU's interest. Acknowledging the reasons for not trusting Russia, he nonetheless called for the EU to "rethink the fundamentals". This prompted significant concern in much of central and eastern Europe, where an EU rapprochement with Russia would be read as a tacit acceptance of actions, ranging from interference in democratic processes to the annexation of Crimea. The re-admittance of Russia to the Council of Europe in June was greeted with outrage; further moves in this direction without Russian reform could expect the same.

Nonetheless, at the [NATO summit in London \(the UK capital\) in December](#) Mr Macron's various interventions were proved to have been successful in disrupting the agenda. Following his "brain death" comments, the summit communiqué included the agreement to set up an expert panel to discuss the future of the alliance. There was also a mention of terrorism as a significant threat, at his insistence. On the EU side, the enlargement process will now be a topic of critical debate in the run-up to the next EU-western Balkans summit in May. The so-called Normandy Four format of

negotiations between Ukraine, Russia, France and Germany over the conflict in the Donbas region resumed in December, following significant developments in Ukraine, with the next meeting to be held in within the next four months.

This progress has limits. We expect the Normandy Four meetings to lead to a compromise between Russia and Ukraine on how to de-escalate—but not resolve—the conflict; this will not be sufficient for the EU sanctions on Russia to be lifted. Further, Mr Macron's confrontational style has led to frictions—by making unilateral pronouncements rather than building alliances to support his views, he has riled allies within the EU. There is, however, a grudging acceptance that the topics he has raised—from the role of NATO to EU enlargement and relations with Russia—do need to be discussed. We expect that these issues will be hotly debated in 2020.

## Economy

### Forecast updates

#### Low energy costs continue to dampen inflation

December 12, 2019: Inflation

#### Event

In November consumer price inflation (national measure) was stable at 1.1% year on year, a 20-month low, according to the Federal Statistics Office (Destatis). This confirmed an earlier estimate. On the harmonised measure, annual inflation rose from 0.9% in October to 1.2%.

#### Analysis

In month-on-month terms, average consumer prices (national measure) fell by 0.8%, a slightly larger November fall than in recent years. The main downward pressure came from a seasonal drop in package holiday prices and there was also a slight reduction in energy costs, owing to lower prices of motor fuel and heating oil. The only notable upward contribution came from food prices, which rose by 0.5% month on month.

Inflation data have been a little more volatile since the start of this year, following methodological changes in the calculation of holiday spending, which has contributed to larger monthly fluctuations in the "package holidays" category. The broad trend, however, remains one of subdued price pressures, in the context of softer domestic demand and benign global commodity markets.

The headline annual inflation rate has trended lower over the past 12 months—mirroring developments across the euro zone—from a seven-year high of 2.3% in late 2018. Over this period there has been a sharp industry-driven slowdown in the Germany economy, but the main driver of weaker inflation has been the declining influence of energy costs, with global oil prices having remained below their year-earlier level since the start of 2019. Energy price inflation eased steadily over the first half of the year and in recent months has been a drag on the headline rate. In November average energy costs were down by 3.7% year on year, with heating oil down by 22% and motor fuel prices down by 10%, more than offsetting moderately higher household electricity and gas tariffs.

Excluding energy, annual inflation has been relatively stable over the past three years, averaging 1.4% (it was 1.6% in November). Looking ahead, the base effects that have held back energy-price inflation this year will conclude, and we expect some mild upward pressure from firmer nominal wage growth. However, with subdued global commodity prices keeping a lid on supply-chain costs, and cautious household spending limiting firms' pricing power and restraining broader inflationary impulses across the services sector, we expect the headline inflation rate to remain below 2%.

#### Impact on the forecast

Our forecast of average inflation (EU harmonised measure) of 1.5% in 2020 is unlikely to change.

## Business sentiment improves for second consecutive month

December 20, 2019: Economic growth

### Event

The Ifo business climate index improved for a second consecutive month in December, driven by a modest rise in output expectations for the next six months. The flash composite purchasing managers' index (PMI)—published by IHS Markit—was unchanged in December, indicating broadly flat private-sector output.

### Analysis

The headline Ifo business climate index—historically the most reliable leading indicator of German output—rose from 95.1 in November to 96.3 in December (2015=100), a six-month high and up from a recent seven-year low of 94.4 in August. On average, firms reported a marginal improvement in current business conditions—albeit not in the manufacturing sector—but the main impulse came from greater optimism for the first half of 2020. The expectations component rose by 1.5 percentage points to its highest level since June.

Having weakened steadily since mid-2018, business sentiment in Germany, and indeed globally, has shown signs of stabilising at a weak level over recent months. The domestic manufacturing industry is still mired in recession—both the Ifo and PMI surveys reported a slight deterioration in current activity and orders in December—but improving confidence raises the prospect of a gradual recovery in industrial activity and global trade over the first half of 2020. Output expectations among domestic manufacturers in December were noticeably less pessimistic than a month earlier, with services providers reporting cautious optimism.

The rise in business expectations is likely to have been driven by the recent agreement—in principle—on a [first-phase US-China trade deal](#) and the [result of the UK general election](#), which removed some uncertainty for firms over Brexit developments. US-China trade tensions and Brexit-related disruption have been two of the main factors weighing on the German economy in recent years, so perceived progress on both fronts will be welcomed. However, the relatively shallow nature of the US-China agreement does little to address deeper structural issues in the two countries' relationship, and there remains a risk of increased US tariffs on EU exports as a result of an ongoing investigation. Meanwhile, German firms can at least move forward in removing UK-based companies from their EU supply chains, but uncertainty will persist over the future UK-EU trading relationship, as will the risk of a disruptive "hard Brexit" at end-2020.

### Impact on the forecast

Our estimate of 0.6% real GDP growth in 2019 and our forecast for 0.9% growth in 2020 are unlikely to change.

## Analysis

### EIU global forecast - Another year of modest global growth

December 10, 2019

**The year 2019 was a difficult one for the global economy, as geopolitical uncertainty and a slowing Chinese economy combined to trigger a global manufacturing downturn. With some luck and monetary stimulus, we expect global growth to be marginally faster in 2020. However, continued political instability—internationally and in many countries—will limit any pick-up in business confidence and investment, and the balance of risks to the outlook remains tilted to the downside.**

Global growth is forecast to be 2.4% in 2020—modestly higher than the 2.3% growth that we currently expect for 2019, but still close to decade lows. We expect economic growth in the developed world to slow marginally in 2020, to 1.5%, driven by a moderation in US growth. Asia will record a stable growth rate of 4% in 2020, making it the world's fastest-growing region for the sixth consecutive year, with stronger growth in South and South-East Asia making up for a continued slowdown in China. In the rest of the emerging world, we expect a modest recovery

from a torrid 2019, including in Latin America, the Middle East and Sub-Saharan Africa.

This growth outlook is supported by continued ultra-loose monetary policy among the world's major central banks, which will cushion demand in developed markets and limit the financial pressures that some heavily indebted emerging-market economies might otherwise face. However, it also assumes that economic and political conditions will stabilise in some of 2019's hotspots. Examples include Brazil, which has cleared the major hurdle of pension reform; Turkey, where the recent stabilisation in the currency is supporting a stabilisation in the wider economy; and South Africa, where we expect energy shortages to begin to ease. Most importantly, we are assuming that the fragile trade truce between the US and China will continue to hold ahead of next November's all-important US general election.

## **Destabilising social unrest is set to continue in 2020**

All of these forecasts are subject to risks. In particular, we expect the social unrest seen across the world in 2019 to continue in 2020, challenging both policymakers and business models. In 2019 major protests have been witnessed in countries on every continent—Chile, Bolivia, Colombia, Iraq, Lebanon, Iran and Hong Kong, among others. In some cases protests have led to the removal of a country's leader, such as in Bolivia and Iraq. Others, meanwhile, have either led to disruptions to businesses, such as in Hong Kong, or to changes in policy priorities to address protesters' concerns, such as in Chile. The change in Bolivia's government has led to a completely different approach to that country's foreign policy, which now focuses on relations with the US rather than those with Venezuela and Cuba. Jair Bolsonaro, Brazil's president, recently paused an ambitious reform of the public sector out of fear of a social backlash, thus bringing to a halt the progress that had been made following the reforms to Brazil's pension system. This contagion effect is likely to remain a threat throughout 2020 as social media enables disquiet to spread quickly across borders. Although there is no single, unifying reason to link these protests, generally social unrest has been driven by citizens feeling either politically or economically disenfranchised. Further bouts of unrest are therefore likely in 2020 as the world faces a weakened economic outlook, geopolitical tensions and political dysfunction.

## **US-China relations will remain central to geopolitical risk**

Policymakers and businesses should also prepare for further volatility in 2020, emanating from the evolving US-China trade war. We continue to expect the two countries to agree on a phase-one trade deal in December 2019, and that the US therefore will not move forward in mid-December with its threatened tariffs on the remainder of finished Chinese-manufactured consumer goods not yet targeted by US duties. When this initial agreement is finalised, it is likely to include Chinese purchases of US agricultural products, the strengthening of China's intellectual property framework and liberalisation of its financial sector. However, there is a high risk that any agreement will be delayed again. Even in this instance, we believe that it is in the US government's interest to delay any tariff increases, which would be unpopular and politically risky in an election year, but a breakdown in negotiations cannot be ruled out.

Despite any progress on the tariff-related trade war, US-China relations will be fractious in 2020 and are likely to deteriorate further in 2021-24. The US Congress passed the Hong Kong Human Rights and Democracy Act in November, and the Uighur Act is likely to pass before end-2019, much to the chagrin of China, which views these areas as purely domestic issues. Furthermore, there are deeper structural issues that will not be addressed in the phase-one trade deal. China's industrial policies and market access issues, exacerbated by the strategic competition between the two countries as they seek global technological dominance, will remain controversial. The fundamental nature of this dispute, combined with China's lack of willingness to concede in these areas, will translate into increasingly strained commercial ties between the two countries. Over the longer term, international economic relations will in any case continue to be reshaped by the US-China rivalry, resulting in further decoupling between the world's two largest economies.

## **Positive growth surprises could result as governments loosen the fiscal reins**

The balance of risks to the global growth outlook therefore remains tilted to the downside. However, there may be unexpected events in 2020 that will provide a fillip to global growth. The

most significant, but also perhaps the least likely, would be a resolution, on all fronts, to the US-China trade war. Growth could surprise in the Middle East if the current thawing of tensions in the Gulf Co-operation Council leads to an immediate end to the boycott that has split the region. In mid-2017 Saudi Arabia, the UAE, Bahrain and Egypt imposed a boycott on Qatar on the grounds of the country's support for terrorism and closeness to Iran—imposing an onerous list of as yet unmet demands for policy change. Finally, synchronised fiscal stimulus in the EU would be a game-changer for the economic outlook of these countries. Germany continues to be the main obstacle to this scenario: although pressure has been mounting on the German government to relax its strict no-deficit rule, we do not expect a change of stance. If this were to eventuate, however, it could result in stronger global growth and a more rapid rise in global interest rates than financial markets have currently priced in.

### World economy: Forecast summary

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Real GDP growth (%)</b>										
<b>World (PPP<sup>a</sup> exchange rates)</b>	<b>3.4</b>	<b>3.3</b>	<b>3.8</b>	<b>3.5</b>	<b>2.8</b>	<b>3.1</b>	<b>3.4</b>	<b>3.6</b>	<b>3.4</b>	<b>3.5</b>
<b>World (market exchange rates)</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>	<b>2.9</b>	<b>2.3</b>	<b>2.4</b>	<b>2.8</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>
US	2.9	1.6	2.4	2.9	2.3	1.7	1.8	2.0	1.8	2.2
Euro area	2.0	1.9	2.7	1.9	1.2	1.2	1.6	1.6	1.6	1.7
Europe	2.0	1.9	2.8	2.1	1.3	1.6	1.9	1.9	1.8	2.0
China	6.9	6.7	6.8	6.6	6.1	5.9	5.7	5.5	5.0	4.7
Asia and Australasia	4.5	4.5	4.9	4.5	4.0	4.0	4.2	4.3	4.0	3.9
Latin America <sup>b</sup>	0.1	-0.3	1.8	1.6	0.6	1.0	2.4	2.6	2.6	2.6
Middle East & Africa	2.3	4.8	1.5	1.2	0.8	2.1	2.9	3.1	3.3	3.3
Sub-Saharan Africa	2.7	0.8	2.3	2.4	2.0	2.4	3.4	3.9	4.3	4.5
<b>World inflation (%; av)<sup>b</sup></b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>	<b>3.1</b>
<b>World trade growth (%)</b>	<b>2.2</b>	<b>2.1</b>	<b>5.8</b>	<b>3.7</b>	<b>1.5</b>	<b>2.3</b>	<b>3.6</b>	<b>3.7</b>	<b>3.7</b>	<b>3.8</b>
<b>Commodities</b>										
Oil (US\$/barrel; Brent)	52.4	44.0	54.4	71.1	64.0	63.0	67.0	71.0	73.8	71.0
Industrial raw materials (US\$; % change)	-15.2	-2.2	20.2	2.2	-8.7	0.6	3.9	2.7	0.8	1.1
Food, feedstuffs & beverages (US\$; % change)	-18.4	-3.5	-0.9	1.5	-4.9	0.8	3.8	1.0	0.9	3.6
<b>Exchange rates (av)</b>										
¥:US\$	121.0	108.8	112.1	110.4	108.5	106.0	104.7	100.9	97.6	95.4
US\$:€	1.11	1.11	1.13	1.18	1.12	1.13	1.16	1.21	1.24	1.24

<sup>a</sup> Purchasing power parity. <sup>b</sup> Excludes Venezuela.

Source: The Economist Intelligence Unit.

## ECB prepares for first strategic review in 16 years

December 19, 2019: Monetary policy outlook

- **Christine Lagarde, the new president of the European Central Bank (ECB), is set to launch a strategic review of the bank's framework in 2020.**
- **We expect the inflation target to be changed to a symmetric aim of 2%. Amid increasing doubts over the ECB's ability to further stimulate the economy, the bank is also likely to rethink the limits of its policies.**
- **The current monetary policy stance has increased financial stability risks in the euro zone, but a redefinition of the ECB's mandate is off the table, as it would imply a treaty change.**
- **Only moderate headline changes are likely to result from the review, with the bulk of conclusions not made public. We expect [monetary policy to remain unchanged until at least 2021](#), but the strategic review does represent a slight risk to this.**

The ECB is preparing for its first strategic review in 16 years. Ms Lagarde announced on December 12th that a "comprehensive review" would be launched in January 2020 and completed within the year, although the details on its substance are unclear. The strategic review will focus on the ECB's inflation objective, policy toolbox and broader framework, but a radical overhaul is



unlikely, and many of the conclusions will be confidential.

The ECB's mandate will not be open for debate, as this would involve treaty change—a politically toxic issue. This means that the ECB's primary goal by law will continue to be price stability, with the weight given to other aspects such as employment and financial stability to remain the same. Nonetheless, we expect the review to forge a highly needed internal consensus on the ECB's path forward.

### Ensuring symmetry

The biggest headline change will be to the ECB's current inflation target of "close to, but below, 2%", which was set in an asymmetrical fashion in 2003 in order to temper concerns of untamed high inflation. However, the current inflation target has produced uncertainty surrounding the ECB's true goal, fuelling concerns that the bank could accept a long-standing undershoot of 2% and risking a re-anchoring of expectations around a lower than desired level.

In this context, a change to a symmetrical target of 2% is likely. In 2003 both headline and core (excluding energy and unprocessed food) inflation were at, or above, 2%. However, the economic reality has changed markedly since, with the threat of pervasive inflation receding substantially (as displayed in the chart below). A 2% target has been the ECB's de facto practice over the past six months, and is in line with most Western central banks.



Alternative proposals are also not credible: lowering the inflation target to 1.5%, as proposed by Robert Holzmann, the governor of the Austrian Nationalbank (the central bank), would damage the ECB's reputation and imply a tightening of funding conditions in the currently weak economic climate. Furthermore, adding an inflation band around 2%, as proposed by Klaas Knot, the governor of De Nederlandsche Bank (the central bank) in the Netherlands, would introduce even more uncertainty surrounding the ECB's true goal. Other suggestions such as lifting the inflation goal and targeting price levels (effectively allowing for above-target inflation after a period of undershooting) face strong political resistance.

### Rethinking the ECB's toolbox

During Mario Draghi's presidency (2012-19) the ECB deployed several unconventional tools, including negative policy rates and a net asset purchase programme, known as quantitative easing (QE). These instruments generated discomfort among hawkish members of the Governing Council, making some of the ECB's past decisions highly contentious. A discussion regarding when—and how—to deploy these tools is therefore likely, and could help to temper future opposition to further easing. The ECB is thus likely to decide, at least internally, how low negative rates can go and what the limits are to its current QE programme.

Real interest rates in advanced economies have been declining since the 1980s, and this downward trend has accelerated since the 2008 global financial crisis. This reflects a decline in the natural interest rate—the rate compatible with a non-inflationary economy at full employment—that has been driven by factors such as ageing, weak trend growth and an increase in risk aversion following the global crisis. The downward trend in the natural interest rate has



implications for monetary policy decisions, as it increases the risk of reaching the lower bound on nominal interest rates in the future. A discussion about the current estimate of the natural interest rate in the euro zone is likely and would be highly relevant, especially as it would help to determine how the ECB can continue stimulating the economy if this downward trend persists.

A discussion about the limits of the current QE programme will also probably occur. In November 2019 the ECB launched its second round of QE, which is set to run for "as long as necessary", at a monthly pace of €20bn. However, the open-ended nature of the programme has been challenged by markets and analysts, arguing that the ECB is reaching its self-imposed limits, as it cannot hold more than 33% of any euro zone country's outstanding debt (known as the "issuer limit"). Current estimates suggest that the ECB currently holds about 30% of German debt. With Germany's central government unlikely to issue new debt, markets are concerned that the ECB might run out of bond to buy. Although there are several ways to circumvent the ECB's restrictions (such as changing the composition of assets purchased or raising the issuer limit), these are politically divisive. Forging consensus on the way forward is urgent, not only because QE might become a permanent feature of the ECB's monetary policy, but also because the bank must be prepared to act swiftly in a future crisis. This is all the more important, given that monetary policy might remain the only active stabilisation tool in the euro zone and given the region's strict fiscal rules, political aversion to fiscal spending and lack of a central fiscal capacity.

The ECB is also likely to normalise the use of unconventional tools and introduce more mitigation policies, as it looks in more depth into the adverse effects of using such tools for a prolonged period of time.

### **Rewriting the broader framework?**

The review will also touch on the ECB's communication strategy and preferred inflation measure. The outcome of such discussions is less clear. Regarding communication, one of the options on the table will be to change the format of monetary policy meetings' minutes, in order to accommodate individual dissenting views—a common practice in other Western central banks. This could arguably prevent some of the Governing Council members from speaking out about their opposition to the ECB's policies and thus avoid a repeat of the public backlash following the September package. More specific communication on the future path of the ECB's interest rates, via dot-plot charts for instance, could also help to better guide financial markets' expectations.

As for changing the inflation measure, the ECB is likely to look at series beyond the harmonised consumer price index (HICP), which attributes a considerably low weight to housing costs. Changing to a measure that takes a more realistic share of housing costs could lift inflation higher and would be more in line with other Western central banks, although such a shift should not prompt an immediate reversal of the ECB's current monetary policy stance.

*This page intentionally blank*

# Germany profile - Timeline

15 March 2018



## A chronology of key events:

**800** - Emperor Charlemagne, Frankish ruler of France and Germany, crowned Roman emperor by Pope Leo III.

**843** - Break-up of Frankish empire; Germany emerges as separate realm.

**962** - German King Otto I crowned Roman emperor after gaining control of northern Italy; beginning of what became known as Holy Roman Empire centred on Germany.

**1250** - Death of Emperor Frederick II Hohenstaufen marks virtual end of central authority and acceleration of empire's collapse into independent princely territories.

**1438** - Election of Albert I marks beginning of Habsburg dynasty based in Austria.

**1517** - Martin Luther proclaims Ninety-Five Theses against traditional church practices; start of Protestant split from Catholic Church.

## Early modern Germany

**1618-1648** Thirty-Years' War: failure of Habsburg emperors' attempt to restore Catholic dominance and imperial authority against opposition of Protestant princes; 1648 Treaty of Westphalia confirms near total independence of territorial states.

**1806** - Napoleon's armies impose French rule over much of Germany; Francis II declares abolition of Holy Roman Empire and adopts title of emperor of Austria.

**1813** - Defeat of Napoleon at Battle of Leipzig.

**1848** - Year of Revolutions; failure of liberals' attempt to unite Germany under democratic constitution; start of period of rapid industrialisation.

**1871** - Otto von Bismarck achieves unification of Germany under leadership of Prussia; new German Empire's authoritarian constitution creates elected national parliament, but gives emperor extensive powers.

**1888** - Start of William II's reign; start of trend towards colonial expansion and build-up of navy to compete with Britain's; rapid growth of economic power.

**1890** - Growing workers' movement culminates in founding of Social Democratic Party of Germany.

**1914-1918** - World War I

**1918** - Germany defeated, signs armistice. Emperor William II abdicates and goes into exile.

**1919** - Treaty of Versailles: Germany loses colonies and land to neighbours, pays large-scale reparations.

Beginning of the Weimar Republic, based on a new constitution. Its early years are marked by high unemployment and rampant inflation.

**1923** - Adolf Hitler, head of the National Socialist German Workers' (Nazi) Party, leads an abortive coup in a Munich beer hall.

France, Belgium occupy the Ruhr over failed reparation payments. Hyperinflation leads to economic collapse.

**1929** - Global depression, mass unemployment.

## Third Reich

**1933** - Hitler becomes chancellor. Weimar Republic gives way to a one-party state. Systematic persecution of Germany's Jews escalates. Hitler proclaims the Third Reich in 1934.

**1935** - Germany begins to re-arm. Nuremberg Laws deprive German Jews of citizenship.

**1938** - Annexation of Austria and Sudetenland.

Kristallnacht (Night of Broken Glass) sees orchestrated attacks on Jews and their property as well as synagogues.

**1939-1945** - Invasion of Poland triggers World War II.

Millions of people of all ages, mostly Jews but also large numbers of Gypsies, Slavs and other races, the disabled, homosexuals and religious dissenters, die as the Nazis implement an extermination policy in the death camps of eastern Europe.

**1945** - Germany defeated, Hitler commits suicide. Allies divide Germany into occupation zones.

**1945-1946** - Nuremberg war crimes trials see major Nazi figures executed or imprisoned.

## Country splits

**1949** - Germany is divided. The US, French and British zones in the west become the Federal Republic of Germany; the Soviet zone in the east becomes the communist German Democratic Republic.

Konrad Adenauer, of the Christian Democrats is West Germany's first chancellor. East Germany is led by Walter Ulbricht.

**1950s** - Start of rapid economic growth in West Germany.

**1955** - West Germany joins Nato; East Germany joins the Warsaw Pact.

**1957** - West Germany joins the European Economic Community.

**1961** - Construction of the Berlin Wall ends steady flight of people from East to West.

**1969** - Social Democrat Willy Brandt becomes chancellor and seeks better ties with the Soviet Union and East Germany under Ostpolitik (eastern policy).

**1971** - Walter Ulbricht is succeeded in East by Erich Honecker.

**1973** - East and West Germany join the UN.

**1974** - Brandt resigns after spy revelations surrounding one of his aides. New Chancellor Helmut Schmidt continues Ostpolitik.

## Wall tumbles

**1982** - Christian Democrat Helmut Kohl becomes chancellor.

**1987** - East German leader Erich Honecker pays first official visit to West.

**1989** - Mass exodus of East Germans as neighbouring Soviet bloc countries relax travel restrictions. Protests across East Germany lead to rapid collapse of Communist rule. Germans from East and West tear down Berlin Wall.

**1990** - East Germans elect pro-unification parliament, state merged into Federal Republic.

**1994** - Russian and Allied troops finally leave Berlin.

## Schroeder years

**1998** - General election victory for Social Democrat leader Gerhard Schroeder leads to coalition with Green Party.

**2001 June** - Government decides to phase out nuclear energy over next 20 years.

**2001 November** - Chancellor Schroeder survives parliamentary confidence vote over the government's decision to deploy 4,000 troops in the US-led campaign in Afghanistan, Germany's largest deployment outside Europe since World War II.

**2002 January** - Euro replaces Deutsche Mark.

**2002 March** - Government pushes controversial immigration bill through upper house of parliament. It allows a limited number of skilled non-EU workers into the country.

## Schroeder re-elected

**2002 September** - Schroeder coalition re-elected with sharply reduced majority.

**2004 May** - Opposition CDU-backed candidate Horst Koehler, former IMF head, elected president.

**2004 August/September** - Tens of thousands protest in streets, particularly in eastern regions, over government plans to cut unemployment benefit and other welfare and labour reforms.

**2005 May** - After his party suffers defeat in North Rhein-Westphalia regional election, Chancellor Schroeder announces that he will seek early general elections.

Parliament ratifies EU constitution.

## First female chancellor

**2005** November - Christian Democrat leader Angela Merkel becomes chancellor in "grand coalition" with Social Democrats after inconclusive elections in September.

**2006** November - Unemployment falls below 4 million for the first time in four years.

## Financial crisis

**2008** October - Germany agrees a \$68bn plan to save one of the country's largest banks, Hypo Real Estate, from collapse.

Germany says it will make as much as 500bn euros available in loan guarantees and capital to bolster the European banking system.

**2008** November - Germany is declared to be officially in recession.

**2009** February - Parliament approves \$63bn stimulus package aimed at shoring up recession-hit economy.

**2009** August - Figures are released showing that economy grew by 0.3% in last quarter, bringing country out of recession.

**2009** October - Mrs Merkel's CDU seals coalition deal with pro-business Free Democrats (FDP) after parties reach agreement on major tax cut proposals following September general election.

**2010** - Official data shows the German economy shrank by 5% in 2009, hit by a slump in exports and investment.

## Eurozone woes

**2010** May - Parliament votes to approve a 22.4bn euro contribution to bail out debt-ridden Greece, prompting widespread public anger.

Chancellor Merkel's governing centre-right coalition suffers a defeat in regional elections in North-Rhine Westphalia, thereby losing its majority in the upper house of the federal parliament.

**2010** September - Cabinet approves controversial plan to extend lifespan of Germany's nuclear reactors, reversing 2001 decision to phase out nuclear energy by 2021.

**2011** January - Provisional figures show the economy grew by 3.6% in 2010, its fastest pace since reunification in 1990. Economists attributed the rate to a recovery in exports.

**2011** March - Setback for Chancellor Merkel as her Christian Democrats lose the key state of Baden-Wuerttemberg for the first time in six decades.

**2011** May - In further u-turn on nuclear power following crisis at Japan's Fukushima plant, German government says all nuclear power plants will be phased out by 2022.

**2011** July - Chancellor Merkel defends her decision to back second huge bail-out for Greece, insisting that it is Germany's historic duty to protect the euro.

## Growth slows

**2012** August - The Federal Constitutional Court partly reverses severe restrictions on military deployments enshrined in the constitution after World War Two, giving the military the right to use weapons in Germany in the event of an assault of "catastrophic proportions", but not to control demonstrations.

**2013** May - Figures show that in 2012 Germany experienced its biggest surge in immigration in almost 20 years, with 400,000 "permanent migrants" - people who have the right to stay for more than a year - arriving.

**2013** October - Germany withdraws most of its troops from Afghanistan, following a decade in which it was responsible for security in the northern province of Kunduz.

**2013** December - Mrs Merkel begins a third term of office as chancellor at the head of a grand coalition with the other main party, the centre-left Social Democrats, after falling short of an overall majority in the September elections.

**2014** April - Germany adopts a minimum wage for the first time, setting it at 8.50 euros an hour.

## Migrant crisis

**2015** September - Chancellor Merkel offers temporary asylum to refugees, prompting mass movement of people through Balkans towards Germany in autumn and winter, and stretching European Union Schengen Agreement on abolition of border controls to breaking point in many countries.

**2016** January - Sex attacks on hundreds of women in Cologne and other German cities during New Year celebrations by men largely of North African or Arab appearance prompts public backlash against Chancellor Merkel's welcome to migrants. Government takes steps to curb influx.

**2016** March - Anti-migrant Alternative for Germany party makes strong showing in three state-level elections, beating Christian Democrats into third place in Chancellor Merkel's home state of Mecklenburg-Vorpommern.

**2016** July - Attacks by migrant Islamic State sympathisers in Wuerzburg and Ansbach leave 17 people injured.

**2016** March - Alternative for Germany party makes strong showing in Berlin state elections.

**2016** December - Tunisian migrant Anis Amri kills 12 people by driving a hijacked lorry into a crowded Berlin Christmas market.

**2017** September - The Alternative for Germany exploits social tensions over migrants to surge into third place at parliamentary elections, behind the much-weakened Christian Democrats and Social Democrats.

**2018** March - Chancellor Merkel reforms the "Grand Coalition" with the Social Democrats, after her failure to assemble a government with the pro-business liberal Free Democrats and left-leaning Greens.

**2018** August - Violent anti-immigrant protests in the eastern city of Chemnitz after two migrants were detained over a fatal stabbing.

*This page intentionally blank*





## Germany > Armed Forces

**Date Posted:** 08-Nov-2019

**Publication:** Jane's Sentinel Security Assessment - Western Europe

### Contents

Executive summary | Threat environment | Doctrine and strategy | Military capability assessment | Joint forces interoperability | Tri-service interoperability | Multinational interoperability | Defence structure | Reserves | Command and control |

### Executive summary

Last updated: 8-Nov-2019

	Total strength	Army	Air force	Navy	Joint medical service	Joint support service	Cyber and information space command
<b>Active personnel</b>	181,500 <sup>1</sup>	62,000	27,800	16,400	20,000	27,600	13,100
<b>Reserves</b>	144,000	n/a	n/a	n/a	n/a	n/a	n/a

1. Figures include all personnel in the services and the rest of the Bundeswehr.

- The German Federal Armed Forces (Bundeswehr) since the 1990s has been restructuring and equipping to become more flexible and put a greater focus on expeditionary warfare as opposed to territorial defence. This was part of a larger European trend led partly by an altered threat landscape, including the diminishing likelihood of a European land war, but also by budgetary constraints. However, partly in response to rising tensions in Eastern Europe, Germany is now reorienting its military posture back towards national and NATO defence. The German Army is structured around seven brigades, although many units are not fully equipped. In terms of equipment, the German army has about 200 Leopard 2 tanks, more than 100 155 mm SPHs, and more than 500 IFVs. It also operates tactical transport and attack helicopters. The German Air Force (Luftwaffe) operates a fleet of more than 200 combat aircraft. However, the combat aircraft fleet has struggled to maintain adequate availability and the Eurofighters does not have a mature ground attack capability. Lastly, the German Navy fleet is comprised 10 frigates, 5 corvettes, and six U212A submarines. The small number of ships has left the force stretched thin.
- Article 87a of the 1956 Basic Law mandates that the German armed forces (Bundeswehr) be used only for defence. Historically this was interpreted as meaning defence against a direct attack on Germany or a NATO ally. However, post-Cold War governments have accepted that Germany must be involved in international conflict management and 'defence' has been interpreted more broadly. It thus contributed

to peacekeeping and stabilization missions, although it remains reluctant to engage in kinetic operations. Thus, for example, its deployed combat aircraft will focus on reconnaissance operations.

- In response to this and rising tensions in Eastern Europe and the Middle East, Germany has announced an increase in the Bundeswehr's military personnel strength to 198,000 by 2024. The recent increase in numbers is directly aimed at filling the requirements of the Bundeswehr that are the result of increasing its platforms and capabilities: about 90% of the new positions will go towards a sixth armoured battalion, and there will also be crews for the second batch of K130 corvettes, and staff for the newly established cyber warfare arm. According to plans, the Germany Army will be increased in size to 10 brigades within three fully equipped and capable heavy divisions. Meanwhile, the Luftwaffe will be reinforced so as to be able to lead a multinational air group, contributing three quarters of a projected 350 combat and reconnaissance sorties out of its own capabilities.
- The German Army is wrapping up its procurement of Puma IFVs, although the planned inventory is lower than the original ambition. Germany is also procuring 403 Boxer armoured vehicles and could place additional contracts to ultimately field more than 1,000 of the vehicles by the early 2030s. The Luftwaffe's largest procurement programmes are for the Eurofighter and Airbus A400M although both have been subject to cuts in procurement numbers (to 143 [down by 37] and 53 [down by 20] aircraft, respectively). Of note, the Luftwaffe plans to retire its Tranche 1 Eurofighters and replace them with Tranche 3 aircraft. Looking further ahead, a new combat aircraft optimised for ground strike is envisaged to replace the Tornado from 2025. The German Navy's is procuring four Baden-Württemberg-class (Type 125) frigates (the first of which was commissioned in June 2019), six Mehrzweckkampfschiff (MKS) 180 multipurpose combat ships, and an additional five Braunschweig-class corvettes. In addition, Germany announced in February 2017 that it would procure two additional Type 212 boats, bringing the fleet up to the originally planned size by the late 2020s.
- Germany is determined to increase its defence spending, having set a goal of 1.5% of GDP as its next step. The financial plan for 2017-21 will see an increase in defence spending of EUR8.3 billion (USD10.1 billion) and put the 2021 budget at EUR42.3 billion. A large portion of this is to be spent on new weapons and equipment. However, *Jane's* understands that the Bundeswehr has a modernisation requirement of EUR130 billion until 2024 alone so additional funding is still needed.

## Threat environment

Last updated: 8-Nov-2019

There are no direct existential threats to German territory and security. However, Germany depends on collective security and regional and global stability to secure its interests. With this in mind, the most pressing conventional threat comes from Russia via the country's NATO commitments.

German security is also impacted by general conflict and instability (complex emergencies) that upset the world order. This has prompted the country to support peacekeeping missions as well as more robust expeditionary multinational operations against non-state actors (albeit not with kinetic capabilities). Given the proximity of some of these conflicts to Europe, the complex emergencies have direct repercussions in the domestic sphere.

Lastly, Germany faces risk of domestic terrorist attacks, although the response to this would be largely non-military.

## Doctrine and strategy

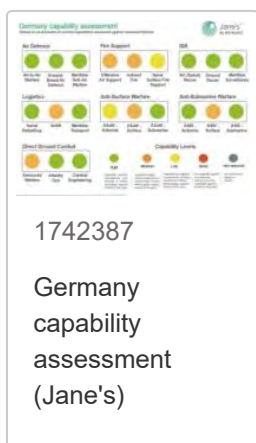
Last updated: 8-Nov-2019

Bundeswehr performs two principal defence functions. First, it must be able to co-operate with allies and partners in order to contribute at short notice to managing international crises and conflicts. Second, it must have the capability to build up and employ defensive forces adequate to defend Germany and NATO countries.

The chief aim is to advance international co-operation to prevent crises and conflicts in order to safeguard Germany's security interests and meet its alliance commitments. Doctrine highlights the transition of the armed forces from a land-air heavy manoeuvre territorial (high intensity operations) defence force towards an expeditionary force of networked-enabled security structures, based on a comprehensive national and global security rationale and operating at a much lower intensity operational level. However, the focus is now starting to shift back towards conventional high-intensity operations against peer adversaries.

## Military capability assessment

Last updated: 8-Nov-2019



- Given the low threat of a land war on NATO territory and Germany's general reluctance to use force abroad, the country's military capabilities are sufficient to satisfy security and defence requirements. While the German military remains oriented primarily on conventional high-intensity warfare for purposes of national defence, it also has an adequate ability to undertake expeditionary operations to confront unconventional threats and support international stability operations.
- In the air domain, the German Air Force operates a large fleet that includes pure air defence fighters, dedicated strike aircraft, and an increasing number of multirole combat aircraft. These can employ a range of advanced armament, including stand-off cruise missiles, precision-guided munitions, anti-radiation missiles, and beyond-visual-range air defence missiles. Ground attack is of particular importance given the requirements of air-land battle and, in theory, Germany has adequate capability in this area. However, limited Tornado availability is a problem and the Typhoons lack sufficient ground attack capability (although this is being worked up). Meanwhile, reconnaissance assets (manned and unmanned) have proven particularly valuable in supporting expeditionary operations.
- In the land domain, Germany has long prioritised manoeuvre warfare and it thus has a significant armoured force. This force is spearheaded by more than 200 Leopard 2 main battle tanks (which are being upgraded) and more than 500 infantry fighting vehicles (with older Marders having been mostly replaced by Pumas). The German army also fields hundreds of other armoured vehicles (including many optimised for stability operations), self-propelled howitzers, and a large fleet of attack and transport helicopters. The mobility provided by these assets would allow the German Army to undertake a defence in depth in the face of a numerically superior adversary, in addition to having value in expeditionary operations. However, Germany has removed from service the majority of its Multiple Launch Rocket System. While it has upgraded those remaining in service, boosting its depth firepower, the lack of numbers would do little to disperse the mass of any invader so their utility is limited.
- In the maritime domain, the German Navy has a relatively small fleet of surface combatants comprising mostly frigates and corvettes. These are fit with a range of air defence (including area air defence), anti-submarine, and anti-ship weapon systems. However, its newest frigates are oriented towards

stabilisation missions and away from conventional war (even lacking torpedo tubes). In addition, the navy does not have enough vessels to cover all requirements. The German Navy also operates advanced and extremely quiet diesel attack submarines. In addition, the German Navy has three versatile combat support ships that are valuable in supporting expeditionary operations. In terms of shortfalls, the navy has limited land attack capability and even less ability to project force ashore, but this is not a pressing requirement.

- The largest factor that is negatively impacting Germany military capabilities at this time is a lack of availability of equipment. As of late 2017 (the last year information was made public), only a little over half of all military equipment was available for use. There were shortages in availability of tanks, helicopters, aircraft, and ships. Efforts are under way to resolve this problem and availability has increased but it will take some time to reach the goal of 70% availability for all major weapon systems.

## Joint forces interoperability

### Tri-service interoperability

Last updated: 8-Nov-2019

One of the primary goals of the 'transformation' of the Bundeswehr has been to create a national force capable of joint operations and in fact the rationalisation of the force structure has increased tri-service interoperability. However, the branches of the Bundeswehr still have a tendency to be oriented towards the needs of their own service. There continues to be some functional areas of expertise that exist in each branch and which the branches seem hesitant to give up even when the joint organisations possess the same capabilities. The primary joint organisations are the Joint Support Service (providing command support, military intelligence, logistics, military police, and training) and the Joint Medical Service.

### Multinational interoperability

Last updated: 8-Nov-2019

German forces can easily integrate into multinational NATO or EU forces, which is essential given that any large-scale military operations (whether Article 5 or expeditionary) would be undertaken as part of a coalition.

Given its previous position at the front line of the Cold War, Germany has for decades been well-integrated into the NATO system. Its armed forces routinely participated in exercises with other national troops stationed on German soil, the navy operated almost solely as an extension of NATO, while large components of the army and air force are also routinely committed to alliance operations and exercises. Following the Cold War, Germany remains heavily involved in NATO, making regular contributions to the NATO Response Forces.

Meanwhile, the European Union is regarded as a complementary collective security arrangement, but Germany does participate in the EU Battlegroups. Also of note, the army has a number of multinational elements, including the 1 (German/Netherlands) Corps and the Franco-German Brigade (FGB). There has been a particular emphasis on integration of Germany and Dutch army units over the past few years.

Following their deployment to Somalia in 1993, the Bundeswehr has become increasingly involved in real-world missions abroad as part of multinational groupings. This has been especially true in low-level policing and peace enforcement missions. However, because deployment is subject to parliamentary approval, mandates on the use of force are often highly restrictive. As a result, German forces are often not able to fully operate with other national forces that have less restrictive rules of engagement.

## Defence structure

Last updated: 8-Nov-2019

The German Ministry of Defence (MoD) is characterised by its dual responsibility. It performs the functions of a civilian ministry and at the same time acts as the armed forces command authority. Also at the strategic level is the Joint Forces Operational Command (Einsatzführungskommando der Bundeswehr), which takes care of planning, executing, and evaluating missions at the operational level. Attached to the joint command is a separate office for joint special operations and a counter-improvised explosive device (C-IED) centre.

The Bundeswehr is structured into six services: the German Army, Navy, Air Force, Joint Support Service, Joint Medical Service, and Cyber and Information Space Command. However, the Joint Medical Service, Joint Support Service, and Cyber and Information Space Command are staffed by personnel from the Army, Navy, and Air Force, who continue to wear the uniforms of their respective services.

Of note, the German Federal Coast Guard is a civilian law enforcement organisation.

## Reserves

Last updated: 8-Nov-2019

Germany has three categories of reserve forces: Troop Reserve, Territorial Reserve, and General Reserve. The Troop Reserve includes reinforcement reserves, personnel reserves, and supplementary units. These reserves can be used to strengthen active units and grow the operational force. Meanwhile, the Territorial Reserve is used for homeland security and support tasks. It is part of the Joint Support Service. Lastly, the General Reserve includes all other personnel that could theoretically be called into service in an emergency.

## Command and control

Last updated: 8-Nov-2019

<b>Minister of Defence:</b>	Annegret Kramp-Karrenbauer
<b>General Inspector (Chief of Staff), Armed Forces:</b>	General Eberhard Zorn
<b>Chief of Staff, Joint Support Service:</b>	Lieutenant General Martin Schelleis
<b>Chief of Staff, Army:</b>	Lieutenant General Jörg Vollmer
<b>Chief of Staff, Air Force:</b>	Lieutenant General Ingo Gerhartz
<b>Chief of Staff, Navy:</b>	Rear Admiral Andreas Krause
<b>Commander of Joint Forces Operational Command:</b>	Lieutenant General Erich Pfeffer
<b>Chief of Staff, Joint Medical Service:</b>	Surgeon General Dr. Ulrich Baumgärtner

From its inception the Bundeswehr was envisioned as a citizens' defence force, decisively under civilian control through the Bundestag (national parliament). The Bundeswehr needs parliamentary approval before being deployed (since December 2005, exceptions can be made in cases of a direct threat, although the parliament has to give its approval within five days after troops have been despatched). Civilian control is exercised primarily through the federal minister of defence, who is the commander-in-chief of the Bundeswehr in peacetime.

The chief of staff, Bundeswehr, is the highest-ranking service member of the armed forces and the military adviser of the federal minister of defence. He or she is responsible to the minister for the development and implementation of an overall military defence concept and has executive authority over the service chiefs.

Operations are under the command of the commander of Joint Forces Operational Command.

The chiefs of staff of the services are responsible to the minister for the operational readiness of their services or organisational areas. In addition, they and their staff participate in performing ministerial tasks.

**Copyright © 2020 Jane's Group UK Limited. All Rights Reserved. Reproduction in whole or in part without permission is prohibited.**



## ***U.S. European Command***

<b><u>Subject</u></b>	<b><u>Page</u></b>
General Tod D. Wolters .....	171
2018 Posture Statement .....	173
2017 Theater Strategy .....	193

*This page intentionally blank*



# Gen. Tod D. Wolters

U.S. European Command Commander, U.S. Air Force

## **Commander, U.S. European Command and NATO Supreme Allied Commander Europe**

U.S. Air Force General Tod D. Wolters assumed duties as Commander, U.S. European Command, on May 2, 2019. He is responsible for one of two U.S. forward-deployed geographic combatant commands whose area of focus spans across Europe, portions of Asia and the Middle East, and the Arctic and Atlantic oceans. The command is comprised of more than 60,000 military and civilian personnel, and is responsible for U.S. defense operations and relations with NATO and 51 countries.



General Wolters previously served as Commander, U.S. Air Forces in Europe; Commander, U.S. Air Forces Africa; Commander, Allied Air Command, headquartered at Ramstein Air Base, and Director, Joint Air Power Competence Centre, Kalkar, Germany.

General Wolters received his commission in 1982 as a graduate of the U.S. Air Force Academy. He has been assigned to numerous operational command and staff positions, and has completed nine overseas tours, including two tours in Afghanistan. He commanded the 19th Fighter Squadron, the 1st Operations Group, the 485th Air Expeditionary Wing, the 47th Flying Training Wing, the 325th Fighter Wing, the 9th Air and Space Expeditionary Task Force-Afghanistan, and the 12th Air Force.

General Wolters fought in operations Desert Storm, Southern Watch, Iraqi Freedom and Enduring Freedom. He served in the Office of the Secretary of the Air Force, as Legislative Liaison Director and in headquarters staff positions at U.S. Pacific Command, Headquarters U.S. Air Force and Air Force Space Command. Prior to commanding U.S. Air Forces in Europe and U.S. Air Forces Africa, General Wolters served on the Joint Staff as Director for Operations. He is a combat-experienced command pilot with more than 5,000 flying hours in the F-15C, F-22, OV-10, T-38, and A-10 aircraft.

General Wolters earned his Bachelor of Science degree from the U.S. Air Force Academy in 1982, a master's degree in aeronautical science technology from Embry-Riddle Aeronautical University in 1996, and a master's degree in strategic studies from the Army War College in 2001. Additionally, he served as a senior executive fellow at Harvard University's John F. Kennedy School of Government in 2004 and a fellow with National Defense University's Pinnacle Course in 2014.

General Wolters' decorations and awards include the Defense Distinguished Service Medal with oak leaf cluster, the Defense Service Medal with oak leaf cluster, the Defense Superior Service Medal, the Legion of Merit with two oak leaf clusters, the Bronze Star with oak leaf cluster, the Defense Meritorious Service Medal, the Meritorious Service Medal with oak leaf cluster, the Air Medal, the Aerial Achievement Medal with three oak leaf clusters, the Joint Service Commendation Medal, the Air Force Commendation Medal with two oak leaf clusters and the Air Force Combat Action Medal.

UNITED STATES SENATE  
COMMITTEE ON ARMED SERVICES

STATEMENT OF  
GENERAL CURTIS M. SCAPARROTTI, UNITED STATES ARMY  
COMMANDER  
UNITED STATES EUROPEAN COMMAND  
MARCH 5, 2019

UNITED STATES SENATE  
COMMITTEE ON ARMED SERVICES

## INTRODUCTION

Chairman Inhofe, Ranking Member Reed, and distinguished members of the Senate Armed Services Committee, it is my honor to testify today in what is likely my final year as Commander of the United States European Command (USEUCOM). I humbly represent over 68,000 brave and dedicated men and women who are forward-deployed or stationed in the European theater of operations. These warriors demonstrate selfless service and dedication to Euro-Atlantic defense, a mission that is essential to our national security and to maintaining global peace and prosperity. We as a Nation are blessed by their voluntary and exceptional service. Thank you for your steadfast support of these patriots and their mission.

Europe and the Trans-Atlantic NATO Alliance remain crucial to our national security, as clearly stated in the President's 2017 National Security Strategy (NSS), the 2018 National Defense Strategy (NDS), and the 2018 National Military Strategy (NMS). USEUCOM's operations, activities, and investments are aligned with the principles and guidance provided by these strategic documents. I cannot stress enough that USEUCOM's ongoing and future success in implementing and executing these strategies is only possible with Congress' support, especially the sustained funding of the European Deterrence Initiative (EDI).

### A Dynamic Security Environment

The threats facing U.S. interests in the USEUCOM area of responsibility, which includes Israel, are real and growing. They are complex, trans-regional, all-domain, and multi-functional. They require the United States, together with our European allies and partners, to constantly adapt with forces and concepts that are able to out-pace the evolution of these threats. A revisionist Russia is the primary threat to a stable Euro-Atlantic security environment. Russia has invaded Ukraine, occupied Crimea, launched cyber-attacks against the Baltic States and Ukraine, interfered in U.S. and other Western elections, and attacked Ukrainian navy vessels

attempting to transit the Kerch Strait to Ukrainian ports in the Sea of Azov. It is also overhauling its nuclear forces—including those that threaten European territory, such as the dual-capable, Intermediate-Range Nuclear Forces (INF)-violating SSC-8/9M729 ground-launched cruise missile. Given Moscow’s demonstrated willingness to violate international law and legally-binding treaties, and to exercise malign influence, Russia threatens the United States’ vital national interests in preserving a Europe that is whole, free, and at peace.

We have already made significant strides in adapting our European force posture to meet these threats. As we continue to adapt, USEUCOM remains steadfastly committed to fielding a lethal, agile, and resilient force and to strengthening the NATO Alliance. With continued investment, innovative use of resources, and the strength of our Nation’s resolve, I am confident that we will continue to meet the challenges of the dynamic security environment. This includes ensuring the continued credibility of the U.S. nuclear deterrent, which backstops all U.S. military and diplomatic operations across the globe and helps ensure that tensions with Russia—no matter where or how they arise—do not escalate into large-scale war.

## RISKS AND CHALLENGES IN THE STRATEGIC ENVIRONMENT

### Russia

Russia is a long-term, strategic competitor that wants to advance its own objectives at the expense of U.S. prosperity and security and that sees the United States and the NATO Alliance as the principal threat to its geopolitical ambitions. In pursuit of its objectives, Moscow seeks to assert its influence over nations along its periphery, undermine NATO solidarity, and fracture the rules-based international order. Russia actively pursues an aggressive foreign policy in violation of other nations’ sovereignty, carrying out subversive and destabilizing activities in Europe and the U.S. and exploiting opportunities to increase its influence and expand its presence in Afghanistan, Syria, and Asia.

Russia employs a whole-of-society approach through a wide array of tools to include political provocateurs, information operations, economic intimidation, cyber operations, religious leverage, proxies, special operations, conventional military forces, and nuclear forces. Russia pursues its strategic objectives in Europe, while avoiding direct military conflict with the U.S. and NATO, by targeting countries through indirect action – backed up by the coercive threat of its conventional and nuclear forces. Such actions include questioning a government’s legitimacy, threatening a country’s economic interests, mobilizing fringe opposition groups, and utilizing proxies or armed civilians, such as private military contracting companies with opaque ties to the state.

Russia’s military capability improvements are significant. Russia continues to prioritize high levels of defense spending to complete its broad-based upgrade of its nuclear forces and produce advanced weapons and capabilities specifically designed to counter U.S. military superiority. Russia’s nuclear modernization program covers every leg of its strategic triad and includes advanced modern road-mobile and silo-based Intercontinental Ballistic Missiles (ICBMs), new Submarine Launched Ballistic Missiles (SLBMs), and Long Range Strategic Bombers. Russia is also developing and deploying new strategic nuclear delivery platforms, to include its nuclear-armed, nuclear-powered underwater unmanned vehicle, intercontinental-range cruise missile, and its air-launched ballistic missile, all of which Russia seeks to keep outside of existing arms control agreements. Additionally, they are pursuing nuclear-armed hypersonic weapons, which could provide them the capability to attack anywhere in the globe with little or no notice.

Russia is also building a large, diverse, and modern set of non-strategic, dual-capable weapons. It currently has an active stockpile of approximately 2,000 of these theater-range systems, which are not subject to the New START Treaty’s limitations on deployed warheads. These systems include air-to-surface missiles, short-range ballistic-missiles, gravity bombs, depth charges, and Russia’s INF-violating ground-launched cruise missile, among others.

Russia's non-strategic nuclear weapons stockpile is of concern because it facilitates Moscow's mistaken belief that limited nuclear first use, potentially including low-yield weapons, can provide Russia a coercive advantage in crises and at lower levels of conflict. The 2018 Nuclear Posture Review calls for adjustments to U.S. nuclear forces to close this perceived gap on the escalation ladder and reinforce deterrence against low-yield nuclear use.

Outside of its nuclear forces, Russia is fielding advanced anti-access/area denial (A2AD) integrated air defense systems (IADS), precision guided cruise and ballistic missiles, modern cyber and electronic warfare (EW) capabilities, and counter-space weapons meant to impede U.S. power projection in Europe. They have improved readiness via investments in infrastructure, training, and compensation, and their exercise program demonstrates increasingly sophisticated command and control and integration across multiple warfare areas. In the Arctic, Russia continues to invest in their forces as environmental changes open up access to the High North.

The Kremlin has also demonstrated the ability and political will to deploy its modernized military and expand its operational footprint. Last year we observed a historically high combat maritime presence in the East Mediterranean along with military deployments and demonstrations in Syria. Their most advanced and quietest guided missile submarine, the Severodvinsk, conducted extended deployments in the northern Atlantic.

Russia seeks advantage over the U.S. and its European allies through its non-compliance with long-standing arms control treaties. Its violations of the INF Treaty allowed Moscow to develop capabilities that the United States continued to forego. Its "suspension" of the Conventional Armed Forces in Europe Treaty gave it greater flexibility to posture forces in regions of special interest to Moscow and to do so with significantly less transparency towards its neighbors in ways we do not because of our adherence to these treaties. Its violation of certain provisions of the Open Skies Treaty—as well as its selective implementation of Vienna Document transparency measures—poses challenges for ensuring full military transparency.

Our NATO allies supported the U.S. announcement to begin withdrawal from the INF Treaty because they recognize that Russia's Treaty-banned systems hold much of Europe at risk and that despite significant diplomatic efforts—more than 30 engagements over nearly six years—Russia refuses to return to compliance.

While the United States maintains global military superiority over Russia, evolving Russian capabilities threaten to erode our competitive military advantage, challenge our ability to operate uncontested in all domains, and diminish our ability to deter Russian aggression.

## Ukraine

Moscow persists in its multifaceted campaign to destabilize Ukraine and block Ukraine's democratic choice to align with the West. Following Russia's purported annexation of Crimea in 2014, Russia's aggressive activities, including those of Russia-led forces in the Donbas region in eastern Ukraine, target Ukraine's defense, economic, and political sectors. Russia has not implemented its commitments in the Minsk agreements, and Russia continues to arm, train, lean, and fight alongside antigovernment forces in eastern Ukraine. The conflict in eastern Ukraine remains hot, with numerous ceasefire violations reported weekly. The UN reports that approximately 13,000 people have been killed in the Donbas since Russia instigated the conflict in 2014. More than 100 Ukrainian soldiers were killed in 2018 as well as 55 civilians. Due to Russian intransigence, no peacekeeping initiative has been implemented. Russia's unjustified use of force against Ukrainian vessels and naval personnel in the Black Sea near the Kerch Strait last November demonstrated Russia's disregard for Ukraine's sovereignty and territorial integrity, denying Ukraine its right of free passage in accordance with international law. In addition, through its support of illegitimate elections in the so-called "Donetsk and Luhansk People's Republics", Russia has sought to undermine the government of Ukraine. Russia will likely attempt to interfere in Ukraine's upcoming presidential elections, as it did in 2014.



## Georgia

After the 2008 Russo-Georgian War, Russia stationed 7,000 troops on sovereign Georgian territory. Russia now occupies approximately 20% of Georgian territory and maintains a significant military and border presence in and around Abkhazia and South Ossetia. Russia has recognized the two territories as independent, entering into defense agreements with these territories and incorporating South Ossetian and Abkhazian “national military forces” into Russian Army command structures. Russia exacerbates tensions by fomenting discord between these territories and the rest of Georgia. While Georgia supports confidence building measures, such as granting the EU Monitoring Mission in Georgia (EUMM) access to the occupied territories in accordance with its mandate. Russia opposes them.

## Balkans

Security in the Balkans, a strategically significant region, is tenuous, and Balkan nations are a primary target of Russian malign influence. Negotiations between Kosovo and neighboring Serbia to normalize their relations and agree on a long-term solution that is viable for both countries have struggled to make progress for some time and are currently on hold. Russia fuels regional instability in an effort to prevent individual Balkan nations from progressing on a path toward greater Euro-Atlantic alignment and integration. Seeking to maintain its influence in Serbia through political, military, and economic support, Russia also opposes the recognition of Kosovo as a sovereign country. NATO’s Kosovo Force (KFOR), which includes over 3,500 troops from both NATO and non-NATO nations, plays an important role in maintaining security and stability in this region. Bosnia and Herzegovina also continues to work toward long-term peace and stability. Despite challenges from Republika Srpska, which is influenced by Russia, Bosnia and Herzegovina partners with the U.S. and NATO, supporting the Resolute Support Mission in Afghanistan.

## Baltics and Poland

Estonia, Latvia, Lithuania, and Poland are a focal point of U.S. and NATO deterrence posture and activities as Russia attempts to intimidate these nations, both politically and militarily. Russia also tries to influence ethnic Russian populations, especially in Estonia and Latvia, and both countries remain mindful that in Crimea, Russia used these ethnic groups as a justification for intervention. Poland has offered at least \$2 billion towards U.S. basing in Poland, and the form of such an increased U.S. troop posture in Poland is currently being discussed in Working Groups under the auspices of a DoD-led Executive Steering Group.

## Turkey

Turkey is a strategically important ally facing significant security challenges, the most pressing of which is the ongoing Syrian conflict. It must maintain security along its border with Syria, and within its borders, Turkey hosts over 3.5 million Syrian refugees. Turkey continues to view the Kurdistan Workers' Party (PKK) and Syrian Kurdish People's Protection Units (YPG) as a single entity, one that constitutes a greater threat than ISIS. This has complicated U.S.-Turkey cooperation on Syria. USEUCOM works closely with Turkey to help secure its borders, and we have improved our efforts, in support of Turkey, to counter the PKK and the threats this terrorist organization poses to Turkish citizens. USEUCOM also supports U.S. interagency efforts to effect a deliberate withdrawal of U.S. forces from Syria that ensures the enduring defeat of ISIS, preserves Turkey's security, and keeps faith with U.S. partners on the ground. Finally, USEUCOM supported U.S. interagency efforts to provide an NATO-interoperable alternative to avert Turkey's planned purchase of a Russian S-400 air defense system, which risks triggering the Countering America's Adversaries Through Sanctions Act (CAATSA). Such an opposition puts at risk NATO cohesion and our longstanding and mutually beneficial U.S.-Turkish defense industrial cooperation.

## Violent Extremist Networks

The risk of terrorism in Europe remains high, despite a decline in fatalities from terrorist attacks in 2018. Violent extremists present a clear and persistent threat to Europe's people and infrastructure. ISIS seeks to re-establish itself in Iraq and Syria, expand into new safe havens, and plan attacks against Western targets. We must remain vigilant to all jihadist groups trying to extend their operational networks and radicalize recruits in Europe.

## Israel

In the Levant, Israel faces a complex set of security challenges from numerous actors across multiple domains. Israel must constantly defend itself from threats posed by Hamas, Lebanese Hezbollah, and Iran, which has expanded its network of proxies while also pursuing advancements in its missile program to assert its influence throughout the Middle East. Israel must also guard against Russia's increased presence in Syria, its facilitation of Iran's presence, and ISIS militants along its Syrian border.

## Additional European Security Challenges

Several other issues present ongoing challenges to European security. Though migrant flows slowed in 2018, Europe's migrant crisis has led to difficult political discussions about demographic integration and the allocation of resources. Transnational organized crime and the illicit trafficking of narcotics, humans, and weapons, to include weapons of mass destruction and related materials, can be linked with terrorism and place an added burden on European security and police forces. USEUCOM is also monitoring China's activities in Europe as it seeks to expand its influence and grow its presence. For example, China is looking to secure access to strategic geographic locations and economic sectors through financial stakes in ports, airlines, hotels, and utility providers, while providing a source of capital for struggling European

economies. Russia and China have increased their transactional collaboration based on some common objectives and opportunities to increase their power and influence at the expense of the U.S. and our allies.

## ACCOMPLISHMENTS AND OPPORTUNITIES - "STRENGTH AND BALANCE"

### Strategy Implementation

USEUCOM is confronting the risks and challenges in its area of responsibility by aggressively adapting our thinking and posture in accordance with the President's National Security Strategy (NSS), the Secretary's National Defense Strategy (NDS), and the Chairman's National Military Strategy (NMS). We are particularly focused on expanding the competitive space with Russia by increasing the lethality of our forces and strengthening alliances and partnerships. Our forces demonstrate commitment to the defense of our allies while our execution of the Dynamic Force Employment concept, along with our operations and exercises, introduce operational unpredictability to our adversaries. USEUCOM will help ensure that our Nation successfully competes with Russia, deters aggression, and if necessary, prevails in conflict.

### Supporting NATO

The NSS, NDS, and NMS all emphasize the central role of a revitalized NATO in securing our vital national interests. NATO allies help shoulder our common defense burden through cash (defense spending), contributions (such as troop deployments), and critical capabilities (e.g., advanced missile defense systems). Allies have made considerable progress in each of these areas.

Since January 2017, allies have added more than \$41 billion in increased defense spending over the 2016 level; and by the end of 2020, Allies – according to NATO Secretary General

Stoltenberg – are on track to add approximately \$100 billion in increased defense spending. In 2018, eight allies spent 2% of their GDP on defense and ten more have presented plans or made political commitments to do so by 2024. 15 allies are already allocating at least 20% of their defense budgets to major new equipment in 2018, and 11 more have presented plans or commitments to do so by 2024. In addition, all U.S. EDI-funded military construction is being submitted for consideration of future funding via recoupment through the NATO Security Investment Program (NSIP).

At last year's Brussels Summit, NATO Heads of State agreed that ensuring alliance responsiveness, readiness, and reinforcement are strategic imperatives for implementing a credible deterrence and defense posture. There are several distinct elements to this commitment. Implementation of the NATO Command Structure (NCS) Adaptation will include a refined Initial State Peacetime Establishment (ISPE) manning increase, the stand-up of NATO Headquarters Joint Forces Command – Norfolk (JFCNF) to command and control (C2) operations in the Atlantic, and the establishment of the Joint Support and Enabling Command (JSEC) in Ulm, Germany.

NATO allies are also making progress in developing a more capable, interoperable, and ready alliance force. NATO's Political Guidance for defense planning (PG19) provides direction for a variety of required cross-domain capabilities. PG19, discussed at the February 2019 NATO Defense Ministers conference, is the first step in the process NATO uses to influence allied nations, develop and deliver interoperable forces, and ensure the alliance has the required capabilities and readiness needed to strengthen deterrence and defense. Additionally, the NATO Readiness Initiative (NRI), which builds upon the 2014 Readiness Action Plan's comprehensive package of Assurance and Adaptation Measures, will provide "4-30s" – 30 major naval combatants, 30 medium or heavy maneuver battalions, and 30 air squadrons ready to fight within 30 days – by the year 2020.

In terms of contributions, allies have stepped up their support for NATO-led missions. From 2014 to 2017, the number of NATO troops serving on deployment was up from 18,000 to just under 23,000 (with almost half of that number, 10,500, from outside the U.S.). In addition to the U.S., Germany, Canada, and the UK serve as Framework Nations for the enhanced Forward Presence (eFP) battle groups in the Baltics and Poland. The UK, Romania, and Croatia all contribute forces to the U.S. eFP mission. Germany serves as the Framework Nation for the 2019 NATO Very High Readiness Joint Task Force (VJTF) brigade. NATO allies and partners also contribute forces to NATO's Baltic Air Policing, enhanced Air Policing in the Black Sea region, Standing Maritime Group, Resolute Support Mission (RSM), and KFOR.

As directed by the NDS, we will 'fortify the Trans-Atlantic Alliance' in part by increasing our collaboration with our European allies and partners. With thanks to Congress for its support to our security cooperation and security assistance initiatives, USEUCOM continues to bolster our engagement in places like Ukraine, Georgia, the Balkans, and in other allied and partner nations along Russia's border. USEUCOM employs programs such as the Ukrainian Security Assistance Initiative, Section 333 of the FY17 NDAA, and Title 22 Foreign Military Financing (FMF) to build partner capabilities in key European nations, enhancing their abilities to defend their sovereignty and territorial integrity, and to operate in coalition with the United States. Additionally, USEUCOM works closely with NATO planners and forces to integrate our collective capabilities, and we will regularly test and improve these capabilities through Title 10 exercises, our Joint Exercise Program, and through NATO Response Force (NRF) certification exercises to ensure interoperability on the battlefield. We will continue to press allies to meet the important 2% mark, advocate for individual nation capability targets that meet their most pressing force requirements, and align with their assigned NATO capability targets.

NATO is also a key platform for engagement and displaying solidarity on issues such as Russia's violation of the INF Treaty. The Alliance unanimously supported our declaration of Russia's material breach of the INF Treaty in December and our announcement that we were

suspending our legal obligations and initiating withdrawal from the Treaty in February. We remain engaged on this issue with our NATO Allies to ensure NATO is postured to defend against Russia's new intermediate-range capability and to deny Russia any military advantage from its unlawful conduct.

#### Working with Non-NATO Partners

Georgia remains a committed partner, especially in Afghanistan, where it is the largest non-NATO contributor to Resolute Support with almost 900 troops currently deployed. The U.S.-Georgia security relationship has steadily expanded, and the establishment in 2018 of the Georgia Defense Readiness Program (GDRP) marked a milestone in our partnership. The GDRP helps Georgia field and sustain a credible, ready force through training, education, and mentorship. The program is a centerpiece of Georgia's broad efforts to enhance its national defense and contribute to the security of the Black Sea region.

Ukraine seeks to partner more closely with the U.S., NATO, and the European Union (EU), and it has made progress in developing a capable, sustainable, and professional force. USEUCOM supports Ukraine's efforts through the Joint Multinational Training Group-Ukraine (JMTG-U), combined exercises including the annual naval Exercise SEA BREEZE, and other activities. The United States delivered the Javelin anti-armor capability to Ukraine in April 2018 to deter Russian aggression against Ukraine. Continued senior-level engagement and support for Ukrainian self-defense capabilities and institutional reform will help enhance regional security and demonstrate our continued commitment to Ukraine's security and territorial integrity, and a rules-based international order in Europe.

Thanks to the historic agreement this past summer between Greece and North Macedonia, we are poised to welcome NATO's newest member once Allied ratifications are complete. North Macedonia is a consistent contributor to security, regularly deploying forces to

Afghanistan and to other U.S. and NATO-led exercises, and the Alliance will be stronger with North Macedonia as a full member.

The EU has moved to enact multiple defense reforms and initiatives in an attempt to create efficiencies and commonalities in European defense. These include the Coordinated Annual Review on Defense, which serves as the basis for preparing the EU's long-term Capability Development Plan and identifying defense and investment capability shortfalls; the European Defense Fund, which will amplify research and development undertaken by multiple participants to achieve economies of scale and free up funds for additional capability development; and Permanent Structured Cooperation (PESCO), a legal framework to cooperate more intensively on defense issues and jointly develop defense capabilities for EU military operations. NATO continues to work with the EU to ensure these efforts complement rather than duplicate NATO initiatives or undermine NATO as the foundation of Euro-Atlantic security.

#### Strengthening U.S. Deterrence Posture

A combat-credible U.S. deterrence posture in Europe means fielding a force that is lethal, agile, and able to maneuver across the continent, capable of delivering joint fires, flexible enough to operate inside a highly contested environment, integrated with multi-domain capabilities, resilient through redundant systems, protected through integrated air and missile defense systems, and prepared to leverage the full power of our allies and partners. Establishing this force requires us to make resource-informed decisions about the appropriate combination of persistent forces (assigned, forward stationed, or persistent heel-to-toe 365 day rotations), and those that can quickly reach and operate in theater under the Dynamic Force Employment concept.

Each of USEUCOM's Service Component Commands has strengthened our deterrence posture. The capability and lethality of U.S. Army Europe (USAREUR) forces stationed in Europe were enhanced by persistent armored brigade combat team (ABCT) and Combat



Aviation Brigade (CAB) rotations. The forward stationing of long-range fires and air defense units will further improve the lethality and resilience of USAREUR forces. Naval Forces Europe (NAVEUR) executed a no-notice deployment of the Harry S. Truman (HST) Carrier Strike Group (CSG) to the Mediterranean in the summer 2018 and to the North Atlantic in the fall 2018. As part of its deployment, the CSG participated in TRIDENT JUNCTURE 18, which had not involved a CSG in over 20 years. In Eastern Europe, strategic bombers and fourth- and fifth-generation fighters deployed to support U.S. Air Forces in Europe (USAFE) deterrence missions. Marine Forces Europe (MARFOREUR) sustained rotational elements in both the Black Sea region and Norway. Special Operations Command Europe (SOCEUR) provided rotational teams that helped build the resiliency of allies and partners exposed to Russian malign influence. In support of the Service Components, our nation's reserve component forces continue to play a critical role in supporting our assurance and deterrence mission, especially through the National Guard State Partnership Program (SPP).

Enhancing our logistical infrastructure and capacity is another key element to fielding a combat-credible force. EDI investments in resilient joint reception, staging, onward movement, and integration (JRSOI) have resulted in infrastructure improvements as well as the Army Prepositioned Stocks (APS) and European Contingency Air Operation Sets (ECAOS). USEUCOM coordinates with USTRANSCOM in the Joint Deployment and Distribution Enterprise (JDDE) to find integrated solutions and facilitate strategic movement and maneuver through our military and commercial partners. The EU is also addressing logistics through its PESCO project focused on military mobility, with the goal of partnering with NATO to better facilitate the movement of troops and equipment across European borders. Furthermore, we are working to enhance munition stocks and ensure interchangeability with NATO munitions to allow flexibility within the Alliance.

We have also strengthened our deterrence and defense through the Joint Force Headquarters Exercise Program, which prepares USEUCOM to effectively carry out its wartime

mission and trains our Component Commands to assume Joint Force Component Command and Joint Task Force (JTF) missions. Our exercises maintain and enhance our ability to jointly operate in a multi-domain and multi-functional environment. We execute four Tier 1 exercises--AUSTERE CHALLENGE, JUNIPER COBRA, JUNIPER FALCON, and JACKAL STONE, along with numerous theater-specific and global integration exercises.

Although we have increased our forces, improved our infrastructure, and successfully executed multiple rotations, deployments, and exercises, a theater not sufficiently set for full-spectrum contingency operations poses increased risk to our ability to compete, deter aggression, and prevail in conflict if necessary.

As for our nuclear forces, the 2018 Nuclear Posture Review validated the importance of maintaining the nuclear triad for strategic stability with Russia and China. Great power competition requires that we maintain a credible strategic deterrence, which includes modernizing its supporting infrastructure. This underwrites U.S. security, diplomacy, and our conventional military operations worldwide.

#### Countering Violent Extremist Organizations (VEO)

USEUCOM works directly with our Combatant Command counterparts and our European partners to identify and counter terrorist threats. We are increasing our intelligence-sharing and strengthening a counter-VEO network that includes NATO, partner nations, and international organizations such as EUROPOL and INTERPOL. Our EU, NATO, and USEUCOM-shared Trinodal Community of Action targets existing VEO networks and facilitates expanded intelligence-sharing with law enforcement. European allies provide the U.S. with critical strategic access for counter-terrorism operations in USAFRICOM and USCENTCOM theaters, and they also deploy their own forces to support U.S.-led operations, including Operation Inherent Resolve. Counter VEO efforts led to a significant decline in directed and enabled attacks across Europe in 2018.

## Competing in Cyberspace

USEUCOM's ongoing efforts to build operational-level cyberspace capabilities are critical to implementing the NDS. USEUCOM benefits from resources and authorities that enable us to partner more closely with USCYBERCOM. We are well-aligned in the planning and conduct of cyber operations to achieve strategic objectives that include deterring Russia, countering misinformation, and defending computer networks. Our Joint Cyber Center (JCC) continues to mature in manning, facilities, and authorities to actively counter cyber-attacks and help strengthen ally and partner nation cyber capabilities.

## Building Intelligence Capacity

USEUCOM is working alongside our allies and partners to grow our intelligence and analytical capability in order to meet both steady state and contingency planning requirements. We are leveraging language expertise resident in European nations and are utilizing non-traditional ISR platforms to mitigate the global shortage of high-demand, low-density assets. In addition, USEUCOM is leveraging the growing capabilities of the Defense Intelligence Agency (DIA) in sourcing intelligence communication and dissemination platforms, such as the Machine-Assisted Analytic Rapid-Repository System (MARS), Publicly Available Information and Open Source Intelligence (PAI-OSINT), and the Joint Worldwide Intelligence Communications System (JWICS).

## Countering Russian Malign Influence

As we expand the competitive space with Russia, USEUCOM is working with the interagency to effectively compete below the level of armed conflict. A leading effort in this domain of competition is the Russian Influence Group (RIG), jointly led by USEUCOM and our State Department counterparts in the Bureau of European and Eurasian Affairs. The RIG brings together the interagency to share information and collaborate in efforts to counter

Russian malign activities in Europe. Separately, U.S. Special Operations Forces (SOF) are also working with select European allies and partners to enhance their defense institutions, border security, and resilience to Russian malign influence. USEUCOM and USSOCOM work together to employ SOF in Europe, where their unique access and capabilities can be utilized to compete below the level of armed conflict.

#### Providing Assistance to Israel

USEUCOM directly supports our Nation's unwavering commitment to the security of Israel. We meet regularly with senior Israeli military leaders, coordinate in planning, and regularly participate in combined exercises. USEUCOM also assists in the defense of Israel through a continuous missile defense presence in the Mediterranean under OPERATION SHARP SENTRY. Israel continues to be the largest recipient of Foreign Military Finance (FMF) funds, and in September 2016, the U.S. and Israel signed a new Memorandum of Understanding (MOU) that provides \$3.8B per year in military assistance over the FY2019 – FY2028 period, totaling \$38B, enabling Israel to maintain a qualitative military edge over its adversaries.

#### Enabling Global Operations

Strategic geographic access, forward basing, and overflight permissions within Europe support multiple Combatant Commands and enable allied, coalition, and U.S. operations. European basing and access remains our strategic military "high-ground" for the United States and a key enabler of our global power projection. The bilateral agreements that grant the U.S. these permissions are built on trust and sustained by maintaining relationships with our allies and partners. Last year's U.S.-led cruise missile strike in Syria is the latest in a number of examples in which European access, basing, and overflight were critical in executing short-notice, contingency operations.

## FY20 Requests

The European Deterrence Initiative (EDI) provides funding to improve our deterrence posture and execute our deterrent initiatives and activities. First, EDI ensures that we position the right capabilities and refine the necessary infrastructure to respond to adversaries in a timely manner. Second, it underwrites our commitment to Article 5 and to the territorial integrity of all NATO nations. Third, EDI increases the capability and readiness of U.S. Forces, NATO allies, and regional partners so we can effectively deter adversary aggression and adventurism. USEUCOM has remained disciplined in nominating EDI projects that are consistent with Congressional guidance and follow five distinct lines of effort: increased presence, exercises and training, enhanced prepositioning, improved infrastructure, and building partnership capacity.

In accordance with your Congressional guidance, we plan and execute EDI as if it were a Future Years Defense Program. This allows us to maintain fiscal and program discipline and prepares the command for when EDI transfers from overseas contingency operations (OCO) to base service budgets.

Our FY20 Budget request focuses on: (1) continued implementation of Enhancing Army Prepositioned Stocks to improve responsiveness of ground forces and provide rapidly deployable combat capability in the event of contingencies; (2) continued implementation of the Air Force Prepositioned Stocks and airfield facilities to improve flexibility and resilience of air forces and provide rapidly deployable combat capability in the event of contingencies; (3) continued enhancement to the Theater's Anti-Submarine Warfare through the procurement of additional equipment and the improvement to theater infrastructure; and (4) enhancing other key capabilities and requirements throughout the theater including, but not limited to: (a) Naval logistics hubs; (b) Integrated Air and Missile Defense; and (c) JRSOI.

## Conclusion

Given the transformation of the European security environment and its impact on U.S. national security, a strong commitment to the USEUCOM area of responsibility is more important than ever. I would like to thank Congress for their acknowledgement of these threats and their continued support of efforts within the USEUCOM theater. Russia continues to engage in armed aggression in eastern Ukraine, is yet to fulfill Minsk Agreement obligations, maintains an illegal occupation of Crimea with reinforced forces, openly violates International law, to include the Intermediate Nuclear Forces, Conventional Armed Forces in Europe, and Open Skies Treaties, and blocks Vienna Document revisions which are needed to address non-accountability of political-military realities. As witnessed last March with the Skripal poisoning, the Kremlin is willing to act boldly, employing banned military-grade nerve agents against civilian targets on the territory of our ally, contrary to all international norms, expectations of civilized society, and their obligations under the Chemical Weapons Convention (CWC). The growing capability of Iran and its proxies is challenging Israel's security. Violent extremists, though slightly abridged in activities last year, remain intent on destroying a rules-based system of government and will continue to target U.S. and European civilians and infrastructure.

Fortunately, we are not alone in meeting these challenges. As stated in the NDS, the NATO Alliance will "deter Russian adventurism, defeat terrorists who seek to murder innocents, and address the arc of instability building on NATO's periphery." NATO has been, and will remain, vital to our national security, and a central element in addressing the challenges of the 21<sup>st</sup> century. Our Trans-Atlantic bond is strengthened by a shared commitment of collective defense, democratic principles, and mutual respect of national sovereignty.

The Soldiers, Sailors, Airmen, Marines, Coast Guardsmen, and civilians at USEUCOM continue to display selfless service and dedication to meet the demands of the European theater. They are the lethal, agile, and resilient force that will protect and defend the Homeland and ensure that Europe remains whole, free, and at peace.

# UNITED STATES EUROPEAN COMMAND

## THEATER STRATEGY

GEN CURTIS M. SCAPAROTTI, USA  
COMMANDER



*United States  
European Command  
"Stronger Together"*

FEBRUARY 2017



The 2016 USEUCOM Strategic Estimate illustrates a European security environment that remains complex, dynamic, and the most dangerous since the Cold War. Using this lens, I have thoroughly reviewed this Theater Strategy, and conclude it is well aligned with the current environment and supports the new 2016 National Military Strategy.

Given the transformation of the European security environment, and its impact on U.S. national security, I believe it is critical that we carefully chart the course of the USEUCOM transition. We must also establish clear intermediate goals to drive this transition and keep the journey on track. To that end, I provide the following Signature Strategic Issues to guide engagement with the Joint Staff, the Office of the Secretary of Defense, National Security Staff, our interagency partners, and Congress.

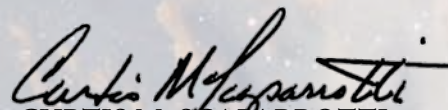


- Theater in Transition** - Change in mindset from engagement and assurance to deterrence and defense
- Alliance Unity** - Allies and Partners are vital to U.S. national security, and the Alliance demonstrated its commitment to unity at the Warsaw Summit
- Russia** - Attempting to regain great power status through unpredictable actions that increase the likelihood of miscalculation and risk of escalation
- Radicals (Violent Extremists Organizations)** - De-centralized and transregional, threatening the U.S. and Europe with external operations
- Relevance** - To maintain relevance, we must improve our processes and procedures to improve flexibility and make decisions at speed, while attaining the agility to change our posture and readiness levels to meet today's dynamic security environment
- Iran** - Expanding power and influence across the Middle East and is Israel's greatest existential threat

To address these strategic issues and successfully execute this Theater Strategy, I have established four enduring priorities for USEUCOM. These command priorities will guide USEUCOM's operations, actions and activities to achieve the theater priorities spelled out in this strategy.

- Ensure Ready and Postured Forces
  - o To deter Russia; support NATO, assist Israel; counter trans-national threats and enable global operations
- Strengthen Strategic Partnerships and Build Partner Capacity, Capability and Interoperability
- Adapt to a Complex and Dynamic Strategic Environment
- Develop Resilient Service Members, DoD Civilians and Their Families
  - o Ensure a healthy command climate, Support comprehensive fitness, Promote quality of life

Acknowledging the enduring nature of U.S. interests and strategic objectives in the USEUCOM AOR, changes to this Theater Strategy may be necessary over time to update objectives and priorities, as well as the framework for approaching steady state activities. Additionally, updated national policy guidance will drive a review that may result in substantive changes to the strategy. We will remain vigilant to the changes and agile in our response to ensure we have the right strategy to support and advance U.S. security interests in Europe.

  
CURTIS M. SCAPARROTTI  
General, U.S. Army



Since the end of World War II, European allies and partners have worked with the United States around the globe to achieve security and stability, and Europe continues to be critical to U.S. national security interests. Currently, United States European Command (USEUCOM) is confronting the most profound negative change in the European security environment since the end of the Cold War. A revanchist Russia, mass migration from other regions, foreign terrorist fighters (FTF) transiting through Europe, cyber-attacks, the lingering effects from a global financial crisis, and underfunded defense budgets all jeopardize European security, endanger the U.S. homeland, and threaten global security and stability.

Addressing these challenges and preparing for an uncertain future requires agility; capable, ready, and postured forces; close partnerships with European allies and partners; a fully enabled North Atlantic Treaty Organization (NATO); and a dedicated whole of government approach. Together, the United States and Europe constitute a closely linked community of democracies with shared interests and close economic and security relationships; USEUCOM is the enabling defense link to NATO and to ensuring trans-Atlantic security and prosperity. This theater strategy broadly outlines the way USEUCOM will adapt to meet the challenges of the new European security environment to ensure a whole, free, peaceful, and prosperous Europe.

## EUROPEAN SECURITY ENVIRONMENT

Over the last few years, the security environment in Europe has changed significantly. Today, the European security environment presents three geographically defined problem sets to the east, south, and north, as well as a functional one – cyber. Within the security environment, USEUCOM, NATO Allies,



**United States European Command commander Gen. Curtis M. Scaparrotti speaks to the audience during his first address to several hundred members of his headquarters staff at Patch Barracks, Stuttgart, Germany in August, 2016. During the address, Gen. Scaparrotti unveiled his four enduring priorities which will guide USEUCOM's operations, actions and activities to achieve the theater priorities contained in this strategy.**

and European partners are concentrating on multiple threats, conflicts, and strategic challenges. (Fig. 1) By working with its allies and partners to explore the problem sets, USEUCOM can assess challenges and opportunities and how to best support U.S. and European security priorities.



In the east and north, Russia is the cause of much concern due to its increasingly aggressive behavior in Eastern Europe and militarization in the Arctic. As demonstrated in Crimea and eastern Ukraine, Russia is employing a form of warfare that combines conventional, irregular, and asymmetric means – including the persistent manipulation of political and ideological conflicts – to foster instability, and it is rejecting a collaborative security approach with the international community. Although the United States and its allies and partners desire cooperation with Russia to address shared security concerns, continued Russian aggression and its use of malign influence to weaken the NATO Alliance and other Western international institutions will constrain such efforts.



From the south, Europe faces myriad security challenges as a result of a complex and unstable Middle East and North Africa (MENA). The Islamic State of Iraq and the Levant (ISIL) is a threat to key allies, partners, and U.S. national security interests. ISIL actively recruits and trains foreign fighters who then return through Europe to their countries of origin. In addition, the significant influx of migrants and refugees to Europe from MENA is a serious economic and humanitarian problem that provides opportunities for violent extremist organizations (VEO) and transnational criminal organizations (TCO) to take advantage of the crisis to gain access to Europe.

Europe is also contending with various other security challenges, including growing adversary ballistic missile capabilities, the proliferation of weapons of mass destruction (WMD), infectious diseases, cyber-attacks, international and national terrorism and narco-terrorism, and illicit trafficking. Individually or



in combination, these threats could result in catastrophic attacks against the United States and/or its allies and partners.

Contributing to the complexity of the European security environment are financial challenges to the global economy. Although some individual European economies are healthy, others are weak, causing overall instability which threatens the prosperity of the trans-Atlantic community. In response to the global financial crisis and perceived lack of threats, European defense budgets have shrunk, resulting in reductions in capability, capacity, readiness, and interoperability with U.S. forces. Reduced budgets also make it more difficult for Allied countries to meet their obligations to NATO. The United States has similarly felt the effects of smaller defense budgets despite a high demand for its military capabilities around the globe.



**Two Spanish Navy Harriers fly behind a U.S. Marine KC-130J aircraft during an aerial-refueling exercise off the coast of Spain. The aerial-refueling capabilities of the KC-130J greatly extend the range and flight times of NATO aircraft.**

The NATO Alliance is now facing the difficult task of transitioning its primary focus from expeditionary operations and support to a renewed emphasis on European security. Addressing NATO's capability issues is problematic for the 28-member Alliance due to decreasing military force levels, disparate

capabilities, uncertain defense spending, and divergent strategic interests. Each individual nation's ability to meet their Article 3 self-defense obligations is central to NATO's credibility. The United States' Article 5 commitment to the collective defense of all NATO members is unwavering, as is U.S. commitment to ensuring that the Alliance remains ready and capable for crisis response and cooperative security. Our European allies and partners collectively remain our most vital global security partner and we continue to require co-investment in that relationship to sustain it for the future.



**U.S. Army paratroopers and Spanish army soldiers discuss a plan of action during Exercise Sky Soldier at Chinchilla training area in Spain. The objective of Exercise Sky Soldier 16 was to prepare for future exercises with the Spanish Armed Forces Airborne Brigade, increase unit lethality, improve tactical airborne proficiency, and build a foundation for future allied training with the Spanish army.**



## STRATEGY IMPLEMENTATION

The United States desires a European security environment where threats and conflicts in the region are alleviated and the strategic challenges successfully addressed. USEUCOM's vision and mission promote these goals. In support of U.S. policy, USEUCOM must ensure that Russia is deterred from further aggression and rejoins the community of cooperative nations to advance peace and security in Europe. USEUCOM also seeks mitigation of the growing transnational threat to southern Europe. To strengthen the Alliance, USEUCOM requires strong eastern European NATO nations and it will contribute to their defense by assisting them to increase their military capability, interoperability, and readiness. USEUCOM supports the aspirations of the Western Balkan, Caucasus, and eastern European nations toward closer integration with NATO. Finally, the United States remains fully committed to Israel's security and qualitative military edge, and USEUCOM will continue to work closely with the Israeli Defense Force to ensure that. A Europe that is whole, free, peaceful, and prosperous is essential to help protect the U.S. homeland, and this end state is advanced through U.S. leadership which promotes peace, security, and strong cooperation.

### MISSION STATEMENT

USEUCOM prepares ready forces, ensures strategic access, deters conflict, enables the NATO Alliance, strengthens partnerships, and counters transnational threats to protect and defend the United States.

## THEATER PRIORITIES

In response to the theater challenges and desired end states, and in support of higher level guidance, USEUCOM will concentrate its collective efforts on six theater priorities over the next three to five years.

### VISION

USEUCOM is engaged, postured, and ready with forward-deployed U.S. forces. We will enable and execute a full range of military missions in concert with our indispensable European Allies and partners to secure U.S. national interests and to support a Europe whole, free, and at peace.



Two German Eurofighter Typhoon jets and a Finnish F-18 fighter during aerial training exercise Ramstein Alloy 3. Baltic Air Policing quick response aircraft from the deployed German and French detachments, along with NATO and partner aircraft and ground crews from Poland, Finland, Sweden, Estonia, Latvia and Lithuania, trained aircrews and controllers during the third Ramstein Alloy exercise. Through scenarios, air and ground crews across the Baltic region honed their skills and enhanced interoperability to support NATO's air policing mission.

### THEATER PRIORITIES

- (1) Deter Russian aggression
- (2) Enable the NATO Alliance
- (3) Preserve U.S. strategic partnerships
- (4) Counter transnational threats
- (5) Ensure postured and ready forces
- (6) Focus on key relationships



## DETER RUSSIAN AGGRESSION

While Russia has supported some common security efforts in counterterrorism and counternarcotics, these contributions are overshadowed by its disregard for the sovereignty of its neighbors in Europe and its violation of numerous agreements which require Russia to act within international norms. One of the United States' national military objectives is to deter state adversaries from threatening the U.S. homeland and U.S. interests while assuring the security of allies. Because Russian aggression threatens NATO allies and partners in Europe, USEUCOM is leading Department of Defense (DoD) efforts to deter further Russian actions that destabilize regional security. Through Operation ATLANTIC RESOLVE, USEUCOM is working with allies and partners to deter Russian aggression in Eastern Europe. USEUCOM will also participate in other bilateral and multilateral exercises and engagements to support the mission to assure and defend NATO, enhance Allied and partner ability to provide for their own security, and counter Russia's use of conventional, irregular, and asymmetric warfare.

Russia is presenting enduring challenges to our allies and partners in multiple regions; therefore, it is a global challenge that requires a global response. USEUCOM will work with other combatant commands, the Joint Staff, and the Office of the Secretary of Defense to ensure that collective DoD deterrence efforts are synchronized and achieve the desired effect without causing unwarranted escalation or provocation.



**A Lithuanian general greets U.S. soldiers on Siauliai Air Base, Lithuania. Europe-based U.S. Army units were deployed to Poland, Lithuania, Estonia, and Latvia to conduct bilateral military exercises and reinforce NATO security commitments to the host nations.**



**United States and Polish Soldiers pose for a photo during a celebration ceremony to welcome American troops to Skwierzyna, Poland in Feb 2017. The arrival marks the start of back-to-back rotations of armored brigades in Europe as part of Operation ATLANTIC RESOLVE.**

**This rotation will enhance deterrence capabilities in the region, improve the U.S. ability to respond to potential crises and defend allies and partners in the European community.**



## ENABLE THE NATO ALLIANCE

U.S. and European efforts to advance a more democratic and prosperous Europe are built on the foundation of collective security provided by NATO. The transatlantic Alliance is a U.S. strategic center of gravity and source of cohesion in Europe. It is essential to ensuring that Europe remains whole, free, and at peace and capable of responding to crisis and contingency requirements in partnership with the United States.

USEUCOM has spent the last decade enabling NATO members to participate in expeditionary operations outside of Europe. While this mission is still important, USEUCOM will shift its engagement with NATO allies to concentrate on bolstering Allied capabilities – especially the most recent members – to ensure that they are able to meet their Article 3 self-defense and Article 5 collective defense requirements. Under NATO’s Readiness Action Plan, USEUCOM will continue to enhance the responsiveness of the NATO Response Force with pre-positioned stocks and related infrastructure to facilitate rapid reinforcement and manning for NATO command and control and associated enablers, which includes the enhancement of a corps- and division-level headquarters focused on assurance and adaptation measures. Lastly, USEUCOM will continue implementing the European Phased Adaptive Approach to provide protection to Europe from a potential ballistic missile attack from a rogue nation.



U.S. Army paratroopers and a Dutch soldier in the Royal Netherlands Army engage targets during a combined defensive live-fire exercise at the 7th Army Joint Multinational Training Command's Grafenwoehr Training Area, Germany. Army paratroopers routinely train alongside NATO forces to increase interoperability and strengthen the alliance



Armored vehicles line up at the close of exercise Immediate Response 16 in Eugene Kavaternic, Croatia. Immediate Response is a multinational, brigade-level command post exercise utilizing computer-assisted simulations and field training exercises spanning two countries, Croatia and Slovenia. Participating countries included Albania, Bosnia and Herzegovina, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Slovenia, the United Kingdom, and the United States.

## PRESERVE U.S. STRATEGIC PARTNERSHIPS

USEUCOM has worked hard to help develop partner capacity, capability, and interoperability, and USEUCOM must continue to help sustain and strengthen these developments. In support of these efforts, USEUCOM will conduct comprehensive engagements to further develop allied and partner understanding, planning, and collaborative military-to-military approaches. Multilateral forums with allies and other partners – such as regional chiefs of defense (CHOD) conferences – serve to enlarge areas of agreement and strengthen multilateral and



bilateral cooperative activities. USEUCOM country cooperation plans will include bilateral roadmaps that seek allied and partner input and coordination to achieve desired security objectives. USEUCOM will also work with the National Guard Bureau, the States' adjutant generals, and the European countries who are associated with the State Partnership Program to leverage their unique capabilities and increase partnership building.

## COUNTER TRANSNATIONAL THREATS

The United States and Europe face a growing number of transnational, and often asymmetric threats, which include violent extremists, cyber-attacks, illicit trafficking, weapons of mass destruction, and infectious diseases. USEUCOM, with the assistance of other U.S. agencies, will continue to work with European and international organizations such as Interpol, NATO, and the European Union to counter these threats. Using a whole of government approach, USEUCOM will cooperate with allies



and partners to: monitor and thwart the flow of foreign terrorist fighters traveling to and from conflict zones and under-governed regions that threaten Europe and the U.S. homeland; dismantle extremist facilitation networks and transnational criminal organizations; and build

**Members of the German and U.S. armed forces participate in NATO exercise Steadfast Cobalt 16, the communications exercise and rehearsal for NATO Response Force certification. The exercise is designed to test the interoperability of NATO's deployable communications systems and aims to improve the Alliance's readiness in light of the changing security environment. All USEUCOM service components participated.**

partner nation capacity to counter the flow of foreign fighters. USEUCOM must also defend against adversaries who can threaten our forces through the cyber domain by identifying and securing our critical infrastructure. This will be accomplished through a defensible architecture, ready cyber forces, and improved situational awareness.

## ENSURE POSTURED AND READY FORCES

Europe has historically been and will remain key terrain for the U.S. military. The



**U.S. Marines practice landing on the deck of the British amphibious assault ship, HMS Ocean, with an MV-22B Osprey. The deck landing qualifications are part of the Allied Maritime Basing Initiative, which seeks to provide the U.S. and allies with a year-round maritime-based crisis response force in the Mediterranean Sea or the Gulf of Guinea by leveraging the significant amphibious capabilities already residing in Europe.**



bases, access, and freedom of movement provided to the United States by allies and European partners are essential to DoD's mission to employ forces globally to meet contingency requirement, conduct operations, and defend U.S. vital national interests. The access that the military enjoys is a product of the long-standing relationships that the United States maintains and nurtures – both through assigned forces and U.S. commitment through NATO to European security. U.S. infrastructure in Europe enables not only USEUCOM to meet its assigned missions, but it is also essential for the transit of forces and materiel through Europe to support other combatant command missions and requirements.

## FOCUS ON KEY RELATIONSHIPS

As reflected in the other priorities, USEUCOM will focus on key relationships by enhancing security in Eastern Europe and strengthening ties with emerging Alliance leaders. The Levant and the Mediterranean are also regions in which USEUCOM will be fully engaged. One of USEUCOM's core missions is assist Israel in its inherent right to self-defense. In addition to the threat posed by Iran and Lebanese Hezbollah, Israel resides in a dangerous and complex region due to the expansion of radical Islamic extremists organizations on Israel's border in both Syria and the Egyptian Sinai. Continued tensions between Israel and the Hamas-led government in Gaza have also led to open warfare in the past with no indications of resolution. Therefore, USEUCOM will continue to work closely with the Israeli Defense Forces to assure them of U.S. commitment to their defense and to preserve their qualitative military edge over their adversaries amid a rapid and uncertain regional transformation. Finally, in the Arctic, USEUCOM will seek greater cooperation for military support to civil authorities to enable the peaceful opening of the Arctic.



**U.S. soldiers participate in the joint Austere Challenge Exercise with Israeli Defense Forces to develop partnered air and missile defense capabilities.**

## CHALLENGES

To successfully execute the strategy, USEUCOM requires reliable and ready forces, strategic anticipation, and funding that is consistent with the threat level. After years of force structure reductions, fewer than 65,000 U.S. military personnel remain permanently stationed in Europe to secure and advance U.S. national interests from Greenland to the Caspian Sea and from the Arctic Ocean to the Levant. Reduced U.S. forward presence and degraded readiness across the Services are inhibiting the United States' ability to favorably shape the environment. The size of the military presence requires difficult decisions on how best to use limited resources to assure, stabilize, and support the USEUCOM mission in the new European security environment. Even as USEUCOM leans forward with NATO Allies and partners



in response to these new challenges, fully addressing them and their long-term implications requires a reformulation of the U.S. strategic calculus and corresponding resourcing levied towards Europe.

USEUCOM cannot fully mitigate the impact felt from a reduction in assigned military forces through the augmentation of rotational forces from the United States. The temporary presence of rotational forces complements, but does not substitute for an enduring forward deployed presence that is tangible and real. Virtual presence means actual absence. The constant presence of U.S. forces in Europe since World War II has enabled the United States to enjoy the relatively free access that it relies on in times of crisis. Further reductions of both infrastructure and forces may negatively impact U.S. access to key strategic locations during times of crisis in the Middle East, Africa, or Eurasia. USEUCOM requires dedicated resources to remain decisively engaged with European allies and partners, interagency partners, and to support other combatant commands to achieve USEUCOM's important and challenging mission.

## CONCLUSION

By implementing this strategy – underpinned with the appropriate resources – USEUCOM will have ready forces postured to: respond to crises and unforeseen events; ensure that the United States has the strategic access required to support global operations; guarantee that the NATO Alliance is strong and capable; amplify the relationships that have been essential to U.S. security for decades so that they are stronger than ever; successfully counter transnational threats emanating from or transiting the European region; and above all, safeguard the forward defense of the U.S. homeland. The United States' shared values and economic interdependence with its indispensable European allies and partners provide unique opportunities for regional and global security cooperation. The USEUCOM theater strategy is designed to strengthen the tremendous advantages of our most willing and capable allies and partners as we all work to counter threats, enhance global stability, and secure a whole, free, peaceful, and prosperous Europe.



**Soldiers from 11 NATO allies take part in the closing ceremony for the multinational exercise Iron Sword in Lithuania, which involved more than 4,000 soldiers from Canada, Estonia, Germany, Latvia, Lithuania, Luxembourg, Poland, Romania, Slovenia, the U.K., and the U.S. The exercise tested the readiness and interoperability of the participating forces and demonstrated allies' resolve and commitment to collective defense. Iron Sword is part of Operation ATLANTIC RESOLVE.**





**UNITED STATES  
EUROPEAN  
COMMAND**



# NATIONAL SECURITY STRATEGY

*of the United States of America*

DECEMBER 2017







THE WHITE HOUSE

WASHINGTON, DC

My fellow Americans:

The American people elected me to make America great again. I promised that my Administration would put the safety, interests, and well-being of our citizens first. I pledged that we would revitalize the American economy, rebuild our military, defend our borders, protect our sovereignty, and advance our values.

During my first year in office, you have witnessed my America First foreign policy in action. We are prioritizing the interests of our citizens and protecting our sovereign rights as a nation. America is leading again on the world stage. We are not hiding from the challenges we face. We are confronting them head-on and pursuing opportunities to promote the security and prosperity of all Americans.

The United States faces an extraordinarily dangerous world, filled with a wide range of threats that have intensified in recent years. When I came into office, rogue regimes were developing nuclear weapons and missiles to threaten the entire planet. Radical Islamist terror groups were flourishing. Terrorists had taken control of vast swaths of the Middle East. Rival powers were aggressively undermining American interests around the globe. At home, porous borders and unenforced immigration laws had created a host of vulnerabilities. Criminal cartels were bringing drugs and danger into our communities. Unfair trade practices had weakened our economy and exported our jobs overseas. Unfair burden-sharing with our allies and inadequate investment in our own defense had invited danger from those who wish us harm. Too many Americans had lost trust in our government, faith in our future, and confidence in our values.

Nearly one year later, although serious challenges remain, we are charting a new and very different course.

We are rallying the world against the rogue regime in North Korea and confronting the danger posed by the dictatorship in Iran, which those determined to pursue a flawed nuclear deal had neglected. We have renewed our friendships in the Middle East and partnered with regional leaders to help drive out terrorists and extremists, cut off their financing, and discredit their wicked ideology. We crushed Islamic State of Iraq and Syria (ISIS) terrorists on the battlefields of Syria and Iraq, and will continue pursuing them until they are destroyed. America's allies are now contributing more to our common defense, strengthening even our strongest alliances. We have also continued to make clear that the United States will no longer tolerate economic aggression or unfair trading practices.

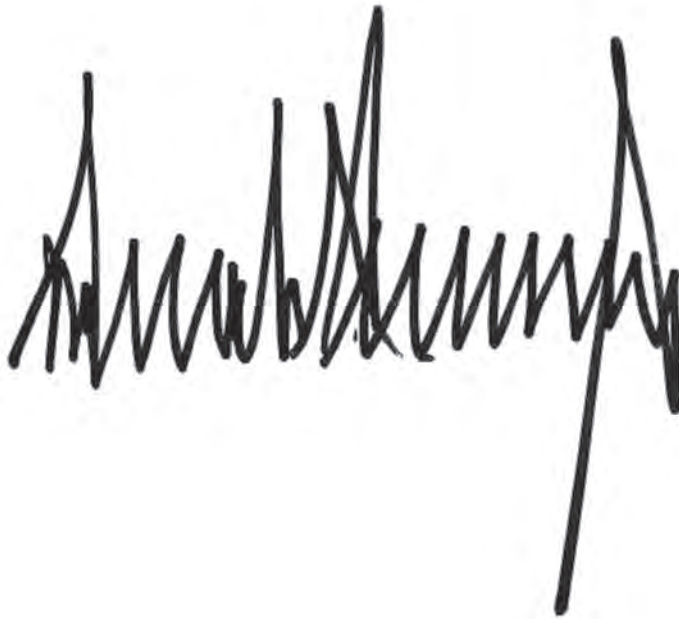
At home, we have restored confidence in America's purpose. We have recommitted ourselves to our founding principles and to the values that have made our families, communities, and society so successful. Jobs are coming back and our economy is growing. We are making historic investments in the United States military. We are enforcing our borders, building trade relationships based on fairness and reciprocity, and defending America's sovereignty without apology.

The whole world is lifted by America's renewal and the reemergence of American leadership. After one year, the world knows that America is prosperous, America is secure, and America is strong. We will bring about the better future we seek for our people and the world, by confronting the challenges and dangers posed by those who seek to destabilize the world and threaten America's people and interests.

My Administration's National Security Strategy lays out a strategic vision for protecting the American people and preserving our way of life, promoting our prosperity, preserving peace through strength, and advancing American influence in the world. We will pursue this beautiful vision—a world of strong, sovereign, and independent nations, each with its own cultures and dreams, thriving side-by-side in prosperity, freedom, and peace—throughout the upcoming year.

In pursuit of that future, we will look at the world with clear eyes and fresh thinking. We will promote a balance of power that favors the United States, our allies, and our partners. We will never lose sight of our values and their capacity to inspire, uplift, and renew.

Most of all, we will serve the American people and uphold their right to a government that prioritizes their security, their prosperity, and their interests. This National Security Strategy puts America First.

A large, bold, handwritten signature in black ink, characteristic of Donald Trump's signature style, featuring multiple sharp peaks and a long, sweeping tail.

President Donald J. Trump

The White House  
December 2017









# TABLE OF CONTENTS

**INTRODUCTION** ..... 1

**PILLAR I: PROTECT THE AMERICAN PEOPLE, THE HOMELAND,  
AND THE AMERICAN WAY OF LIFE** ..... 7

Secure U.S. Borders and Territory ..... 8

*Defend Against Weapons of Mass Destruction (WMD)* ..... 8

*Combat Biothreats and Pandemics* ..... 9

*Strengthen Border Control and Immigration Policy* ..... 9

Pursue Threats to Their Source ..... 10

*Defeat Jihadist Terrorists* ..... 10

*Dismantle Transnational Criminal Organizations* ..... 11

Keep America Safe in the Cyber Era ..... 12

Promote American Resilience ..... 14

**PILLAR II: PROMOTE AMERICAN PROSPERITY** ..... 17

Rejuvenate the Domestic Economy ..... 18

Promote Free, Fair, and Reciprocal Economic Relationships ..... 19

Lead in Research, Technology, Invention, and Innovation ..... 20

Promote and Protect the U.S. National Security Innovation Base ..... 21

Embrace Energy Dominance ..... 22

**PILLAR III: PRESERVE PEACE THROUGH STRENGTH** ..... 25

Renew America’s Competitive Advantages ..... 26

Renew Capabilities ..... 28

*Military* ..... 28

*Defense Industrial Base* ..... 29

*Nuclear Forces* ..... 30

*Space* ..... 31

*Cyberspace* ..... 31

*Intelligence* ..... 32

---

Diplomacy and Statecraft .....	33
<i>Competitive Diplomacy</i> .....	33
<i>Tools of Economic Diplomacy</i> .....	34
<i>Information Statecraft</i> .....	34
<b>PILLAR IV: ADVANCE AMERICAN INFLUENCE .....</b>	<b>37</b>
Encourage Aspiring Partners .....	38
Achieve Better Outcomes in Multilateral Forums.....	40
Champion American Values.....	41
<b>THE STRATEGY IN A REGIONAL CONTEXT .....</b>	<b>45</b>
Indo-Pacific.....	45
Europe.....	47
Middle East.....	48
South and Central Asia.....	50
Western Hemisphere .....	51
Africa.....	52
<b>CONCLUSION .....</b>	<b>55</b>







---

## INTRODUCTION

An America that is safe, prosperous, and free at home is an America with the strength, confidence, and will to lead abroad. It is an America that can preserve peace, uphold liberty, and create enduring advantages for the American people. Putting America first is the duty of our government and the foundation for U.S. leadership in the world.

A strong America is in the vital interests of not only the American people, but also those around the world who want to partner with the United States in pursuit of shared interests, values, and aspirations.

This National Security Strategy puts America first.

**A**n America First National Security Strategy is based on American principles, a clear-eyed assessment of U.S. interests, and a determination to tackle the challenges that we face. It is a strategy of principled realism that is guided by outcomes, not ideology. It is based upon the view that peace, security, and prosperity depend on strong, sovereign nations that respect their citizens at home and cooperate to advance peace abroad. And it is grounded in the realization that American principles are a lasting force for good in the world.

“We the People” is America’s source of strength.

The United States was born of a desire for life, liberty, and the pursuit of happiness—and a conviction that unaccountable political power is tyranny. For these reasons, our Founders crafted and ratified the Constitution, establishing the republican form of government we enjoy today. The Constitution grants our national government not only specified powers necessary to protect our God-given rights and liberties but also safeguards them by limiting the government’s size and scope,

separating Federal powers, and protecting the rights of individuals through the rule of law. All political power is ultimately delegated from, and accountable to, the people.

We protect American sovereignty by defending these institutions, traditions, and principles that have allowed us to live in freedom, to build the nation that we love. And we prize our national heritage, for the rare and fragile institutions of republican government can only endure if they are sustained by a culture that cherishes those institutions.

Liberty and independence have given us the flourishing society Americans enjoy today—a vibrant and confident Nation, welcoming of disagreement and differences, but united by the bonds of history, culture, beliefs, and principles that define who we are.

We are proud of our roots and honor the wisdom of the past. We are committed to protecting the rights and dignity of every citizen. And we are a nation of laws, because the rule of law is the shield that protects the individual from government corruption

and abuse of power, allows families to live without fear, and permits markets to thrive.

Our founding principles have made the United States of America among the greatest forces for good in history. But we are also aware that we must protect and build upon our accomplishments, always conscious of the fact that the interests of the American people constitute our true North Star.

America's achievements and standing in the world were neither inevitable nor accidental. On many occasions, Americans have had to compete with adversarial forces to preserve and advance our security, prosperity, and the principles we hold dear. At home, we fought the Civil War to end slavery and preserve our Union in the long struggle to extend equal rights for all Americans. In the course of the bloodiest century in human history, millions of Americans fought, and hundreds of thousands lost their lives, to defend liberty in two World Wars and the Cold War. America, with our allies and partners, defeated fascism, imperialism, and Soviet communism and eliminated any doubts about the power and durability of republican democracy when it is sustained by a free, proud, and unified people.

The United States consolidated its military victories with political and economic triumphs built on market economies and fair trade, democratic principles, and shared security partnerships. American political, business, and military leaders worked together with their counterparts in Europe and Asia to shape the post-war order through the United Nations, the Marshall Plan, the North Atlantic Treaty Organization (NATO), and other institutions designed to advance our shared interests of security, freedom, and peace. We recognize the invaluable advantages that our strong relationships with allies and partners deliver.

Following the remarkable victory of free nations in the Cold War, America emerged as the lone super-

power with enormous advantages and momentum in the world. Success, however, bred complacency. A belief emerged, among many, that American power would be unchallenged and self-sustaining. The United States began to drift. We experienced a crisis of confidence and surrendered our advantages in key areas. As we took our political, economic, and military advantages for granted, other actors steadily implemented their long-term plans to challenge America and to advance agendas opposed to the United States, our allies, and our partners.

We stood by while countries exploited the international institutions we helped to build. They subsidized their industries, forced technology transfers, and distorted markets. These and other actions challenged America's economic security. At home, excessive regulations and high taxes stifled growth and weakened free enterprise—history's greatest antidote to poverty. Each time government encroached on the productive activities of private commerce, it threatened not only our prosperity but also the spirit of creation and innovation that has been key to our national greatness.

## A Competitive World

The United States will respond to the growing political, economic, and military competitions we face around the world.

China and Russia challenge American power, influence, and interests, attempting to erode American security and prosperity. They are determined to make economies less free and less fair, to grow their militaries, and to control information and data to repress their societies and expand their influence. At the same time, the dictatorships of the Democratic People's Republic of Korea and the Islamic Republic of Iran are determined to destabilize regions, threaten Americans and our allies, and brutalize their own people. Transnational

threat groups, from jihadist terrorists to transnational criminal organizations, are actively trying to harm Americans. While these challenges differ in nature and magnitude, they are fundamentally contests between those who value human dignity and freedom and those who oppress individuals and enforce uniformity.

These competitions require the United States to rethink the policies of the past two decades—policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false.

Rival actors use propaganda and other means to try to discredit democracy. They advance anti-Western views and spread false information to create divisions among ourselves, our allies, and our partners. In addition, jihadist terrorists such as ISIS and al-Qa'ida continue to spread a barbaric ideology that calls for the violent destruction of governments and innocents they consider to be apostates. These jihadist terrorists attempt to force those under their influence to submit to Sharia law.

America's military remains the strongest in the world. However, U.S. advantages are shrinking as rival states modernize and build up their conventional and nuclear forces. Many actors can now field a broad arsenal of advanced missiles, including variants that can reach the American homeland. Access to technology empowers and emboldens otherwise weak states. North Korea—a country that starves its own people—has spent hundreds of millions of dollars on nuclear, chemical, and biological weapons that could threaten our homeland. In addition, many actors have become skilled at operating below the threshold of military conflict—challenging the United States, our allies, and our partners with hostile actions cloaked in deniability. Our task is to ensure that American military superiority endures, and

in combination with other elements of national power, is ready to protect Americans against sophisticated challenges to national security.

The contest over information accelerates these political, economic, and military competitions. Data, like energy, will shape U.S. economic prosperity and our future strategic position in the world. The ability to harness the power of data is fundamental to the continuing growth of America's economy, prevailing against hostile ideologies, and building and deploying the most effective military in the world.

We learned the difficult lesson that when America does not lead, malign actors fill the void to the disadvantage of the United States. When America does lead, however, from a position of strength and confidence and in accordance with our interests and values, all benefit.

Competition does not always mean hostility, nor does it inevitably lead to conflict—although none should doubt our commitment to defend our interests. An America that successfully competes is the best way to prevent conflict. Just as American weakness invites challenge, American strength and confidence deters war and promotes peace.

## An America First National Security Strategy

The competitions and rivalries facing the United States are not passing trends or momentary problems. They are intertwined, long-term challenges that demand our sustained national attention and commitment.

America possesses unmatched political, economic, military, and technological advantages. But to maintain these advantages, build upon our strengths, and unleash the talents of the American people, we must protect four vital national interests in this competitive world.

First, our fundamental responsibility is to **protect the American people, the homeland, and the American way of life**. We will strengthen control of our borders and reform our immigration system. We will protect our critical infrastructure and go after malicious cyber actors. A layered missile defense system will defend our homeland against missile attacks. And we will pursue threats to their source, so that jihadist terrorists are stopped before they ever reach our borders.

Second, we will **promote American prosperity**. We will rejuvenate the American economy for the benefit of American workers and companies. We will insist upon fair and reciprocal economic relationships to address trade imbalances. The United States must preserve our lead in research and technology and protect our economy from competitors who unfairly acquire our intellectual property. And we will embrace America's energy dominance because unleashing abundant energy resources stimulates our economy.

Third, we will **preserve peace through strength** by rebuilding our military so that it remains pre-eminent, deters our adversaries, and if necessary, is able to fight and win. We will compete with all tools of national power to ensure that regions of the world are not dominated by one power. We will strengthen America's capabilities—including in space and cyberspace—and revitalize others that have been neglected. Allies and partners magnify our power. We expect them to shoulder a fair share of the burden of responsibility to protect against common threats.

Fourth, we will **advance American influence** because a world that supports American interests and reflects our values makes America more secure and prosperous. We will compete and lead in multilateral organizations so that American interests and principles are protected. America's commitment to liberty, democracy, and the rule of law serves as an inspiration for those living under

tyranny. We can play a catalytic role in promoting private-sector-led economic growth, helping aspiring partners become future trading and security partners. And we will remain a generous nation, even as we expect others to share responsibility.

Strengthening our sovereignty—the first duty of a government is to serve the interests of its own people—is a necessary condition for protecting these four national interests. And as we strengthen our sovereignty we will renew confidence in ourselves as a nation. We are proud of our history, optimistic about America's future, and confident of the positive example the United States offers to the world. We are also realistic and understand that the American way of life cannot be imposed upon others, nor is it the inevitable culmination of progress. Together with our allies, partners, and aspiring partners, the United States will pursue cooperation with reciprocity. Cooperation means sharing responsibilities and burdens. In trade, fair and reciprocal relationships benefit all with equal levels of market access and opportunities for economic growth. An America First National Security Strategy appreciates that America will catalyze conditions to unleash economic success for America and the world.

In the United States, free men and women have created the most just and prosperous nation in history. Our generation of Americans is now charged with preserving and defending that precious inheritance. This National Security Strategy shows the way.









---

P I L L A R I

PROTECT THE AMERICAN PEOPLE,  
THE HOMELAND, AND  
THE AMERICAN WAY OF LIFE

*“We will defend our country, protect our communities,  
and put the safety of the American people first.”*

PRESIDENT DONALD J. TRUMP | JULY 2017

This National Security Strategy begins with the determination to protect the American people, the American way of life, and American interests. Americans have long recognized the benefits of an interconnected world, where information and commerce flow freely. Engaging with the world, however, does not mean the United States should abandon its rights and duties as a sovereign state or compromise its security. Openness also imposes costs, since adversaries exploit our free and democratic system to harm the United States.

North Korea seeks the capability to kill millions of Americans with nuclear weapons. Iran supports terrorist groups and openly calls for our destruction. Jihadist terrorist organizations such as ISIS and al-Qa’ida are determined to attack the United States and radicalize Americans with their hateful ideology. Non-state actors undermine social order through drug and human trafficking networks, which they use to commit violent crimes and kill thousands of American each year.

Adversaries target sources of American strength, including our democratic system and our econ-

omy. They steal and exploit our intellectual property and personal data, interfere in our political processes, target our aviation and maritime sectors, and hold our critical infrastructure at risk. All of these actions threaten the foundations of the American way of life. Reestablishing lawful control of our borders is a first step toward protecting the American homeland and strengthening American sovereignty.

We must prevent nuclear, chemical, radiological, and biological attacks, block terrorists from reaching our homeland, reduce drug and human trafficking, and protect our critical infrastructure. We must also deter, disrupt, and defeat potential threats before they reach the United States. We will target jihadist terrorists and transnational criminal organizations at their source and dismantle their networks of support.

We must also take steps to respond quickly to meet the needs of the American people in the event of natural disaster or attack on our homeland. We must build a culture of preparedness and resilience across our governmental functions, critical infrastructure, and economic and political systems.

## Secure U.S. Borders and Territory

State and non-state actors place the safety of the American people and the Nation’s economic vitality at risk by exploiting vulnerabilities across the land, air, maritime, space, and cyber-space domains. Adversaries constantly evolve their methods to threaten the United States and our citizens. We must be agile and adaptable.

### *Defend Against Weapons of Mass Destruction (WMD)*

The danger from hostile state and non-state actors who are trying to acquire nuclear, chemical, radiological, and biological weapons is increasing. The Syrian regime’s use of chemical weapons against its own citizens undermines international norms against these heinous weapons, which may encourage more actors to pursue and use them. ISIS has used chemical weapons in Iraq and Syria. Terrorist groups continue to pursue WMD-related materials. We would face grave danger if terrorists obtained inadequately secured nuclear, radiological, or biological material.

As missiles grow in numbers, types, and effectiveness, to include those with greater ranges, they are the most likely means for states like North Korea to use a nuclear weapon against the United States. North Korea is also pursuing chemical and biological weapons which could also be delivered by missile. China and Russia are developing advanced weapons and capabilities that could threaten our critical infrastructure and our command and control architecture.

### *Priority Actions*

**ENHANCE MISSILE DEFENSE:** The United States is deploying a layered missile defense system focused on North Korea and Iran to defend our homeland against missile attacks. This system will include the ability to defeat missile threats prior to launch. Enhanced missile defense is not intended to undermine strategic stability or disrupt longstanding strategic relationships with Russia or China.

**DETECT AND DISRUPT WEAPONS OF MASS DESTRUCTION:** At our borders and within our territory, we will bolster efforts to detect nuclear, chemical, radiological, and biological agents and keep them from being used against us. We will also better integrate intelligence, law enforcement, and emergency management operations to ensure that frontline defenders have the right information and capabilities to respond to WMD threats from state and non-state actors.

**ENHANCE COUNTERPROLIFERATION MEASURES:** Building on decades of initiatives, we will augment measures to secure, eliminate, and prevent the spread of WMD and related materials, their delivery systems, technologies, and knowledge to reduce the chance that they might fall into the hands of hostile actors. We will hold state and non-state actors accountable for the use of WMD.

**TARGET WMD TERRORISTS:** We will direct counterterrorism operations against terrorist WMD specialists, financiers, administrators, and facilitators. We will work with allies and partners to detect and disrupt plots.

---

*Strengthening control over our borders and immigration system is central to national security, economic prosperity, and the rule of law.*

---

### *Combat Biothreats and Pandemics*

Biological incidents have the potential to cause catastrophic loss of life. Biological threats to the U.S. homeland—whether as the result of deliberate attack, accident, or a natural outbreak—are growing and require actions to address them at their source.

Naturally emerging outbreaks of viruses such as Ebola and SARS, as well as the deliberate 2001 anthrax attacks in the United States, demonstrated the impact of biological threats on national security by taking lives, generating economic losses, and contributing to a loss of confidence in government institutions.

Advancements in life sciences that benefit our health, economy, and society also open up new avenues to actors who want to cause harm. Dedicated state actors are likely to develop more advanced bioweapons, and these capabilities may become available to malicious non-state actors as well.

### *Priority Actions*

#### **DETECT AND CONTAIN BIOTHRREATS AT THEIR SOURCE:**

We will work with other countries to detect and mitigate outbreaks early to prevent the spread of disease. We will encourage other countries to invest in basic health care systems and to strengthen global health security across the intersection of human and animal health to prevent infectious disease outbreaks. And we will work with partners to ensure that laboratories that handle dangerous pathogens have in place safety and security measures.

**SUPPORT BIOMEDICAL INNOVATION:** We will protect and support advancements in biomedical innovation by strengthening the intellectual property system that is the foundation of the biomedical industry.

**IMPROVE EMERGENCY RESPONSE:** At home, we will strengthen our emergency response and uni-

fied coordination systems to rapidly characterize outbreaks, implement public health containment measures to limit the spread of disease, and provide surge medical care—including life-saving treatments.

### *Strengthen Border Control and Immigration Policy*

Strengthening control over our borders and immigration system is central to national security, economic prosperity, and the rule of law. Terrorists, drug traffickers, and criminal cartels exploit porous borders and threaten U.S. security and public safety. These actors adapt quickly to outpace our defenses.

The United States affirms our sovereign right to determine who should enter our country and under what circumstances. The United States understands the contributions immigrants have made to our Nation throughout its history. Illegal immigration, however, burdens the economy, hurts American workers, presents public safety risks, and enriches smugglers and other criminals.

The United States recognizes that decisions about who to legally admit for residency, citizenship, or otherwise are among the most important a country has to make. The United States will continue to welcome lawful immigrants who do not pose a security threat and whose entry is consistent with the national interest, while at the same time enhancing the screening and vetting of travelers, closing dangerous loopholes, revising outdated laws, and eliminating easily exploited vulnerabilities. We will also reform our current immigration system, which, contrary to our national interest and national security, allows for randomized entry and extended-family chain migration. Residency and citizenship determinations should be based on individuals' merits and their ability to positively contribute to U.S. society, rather than chance or extended family connections.

## *Priority Actions*

**ENHANCE BORDER SECURITY:** We will secure our borders through the construction of a border wall, the use of multilayered defenses and advanced technology, the employment of additional personnel, and other measures. The U.S. Government will work with foreign partners to deter, detect, and disrupt suspicious individuals well before they enter the United States.

**ENHANCE VETTING:** The U.S. Government will enhance vetting of prospective immigrants, refugees, and other foreign visitors to identify individuals who might pose a risk to national security or public safety. We will set higher security standards to ensure that we keep dangerous people out of the United States and enhance our information collection and analysis to identify those who may already be within our borders.

**ENFORCE IMMIGRATION LAWS:** We will enforce immigration laws, both at the border and in the interior, to provide an effective deterrent to illegal immigration. The apprehension and swift removal of illegal aliens at the border is critical to an effective border security strategy. We must also increase efforts to identify and counter fraud in the immigration process, which undermines the integrity of our immigration system, exploits vulnerable individuals, and creates national security risks.

**BOLSTER TRANSPORTATION SECURITY:** We will improve information sharing across our government and with foreign partners to enhance the security of the pathways through which people and goods enter the country. We will invest in technology to counter emerging threats to our aviation, surface, and maritime transportation sectors. We will also work with international and industry partners to raise security standards.

## **Pursue Threats to Their Source**

There is no perfect defense against the range of threats facing our homeland. That is why America must, alongside allies and partners, stay on the offensive against those violent non-state groups that target the United States and our allies.

The primary transnational threats Americans face are from jihadist terrorists and transnational criminal organizations. Although their objectives differ, these actors pose some common challenges. First, they exploit our open society. Second, they often operate in loose confederations and adapt rapidly. Third, they rely on encrypted communication and the dark web to evade detection as they plot, recruit, finance, and execute their operations. Fourth, they thrive under conditions of state weakness and prey on the vulnerable as they accelerate the breakdown of rules to create havens from which to plan and launch attacks on the United States, our allies, and our partners. Fifth, some are sheltered and supported by states and do their bidding.

### *Defeat Jihadist Terrorists*

Jihadist terrorist organizations present the most dangerous terrorist threat to the Nation. America, alongside our allies and partners, is fighting a long war against these fanatics who advance a totalitarian vision for a global Islamist caliphate that justifies murder and slavery, promotes repression, and seeks to undermine the American way of life. Jihadist terrorists use virtual and physical networks around the world to radicalize isolated individuals, exploit vulnerable populations, and inspire and direct plots.

Even after the territorial defeat of ISIS and al-Qa'ida in Syria and Iraq, the threat from jihadist terrorists will persist. They have used battlefields as test beds of terror and have exported tools and tactics to their followers. Many of these jihadist terror-

ists are likely to return to their home countries, from which they can continue to plot and launch attacks on the United States and our allies.

The United States also works with allies and partners to deter and disrupt other foreign terrorist groups that threaten the homeland—including Iranian-backed groups such as Lebanese Hizballah.

### *Priority Actions*

**DISRUPT TERROR PLOTS:** We will enhance intelligence sharing domestically and with foreign partners. We will give our frontline defenders—including homeland security, law enforcement, and intelligence professionals—the tools, authorities, and resources to stop terrorist acts before they take place.

**TAKE DIRECT ACTION:** The U.S. military and other operating agencies will take direct action against terrorist networks and pursue terrorists who threaten the homeland and U.S. citizens regardless of where they are. The campaigns against ISIS and al-Qa’ida and their affiliates demonstrate that the United States will enable partners and sustain direct action campaigns to destroy terrorists and their sources of support, making it harder for them to plot against us.

**ELIMINATE TERRORIST SAFE HAVENS:** Time and territory allow jihadist terrorists to plot, so we will act against sanctuaries and prevent their reemergence, before they can threaten the U.S. homeland. We will go after their digital networks and work with private industry to confront the challenge of terrorists and criminals “going dark” and using secure platforms to evade detection.

**SEVER SOURCES OF STRENGTH:** We will disrupt the financial, materiel, and personnel supply chains of terrorist organizations. We will sever their financing and protect the U.S. and international financial systems from abuse. We will degrade their ability

to message and attract potential recruits. This includes combating the evil ideology of jihadists by exposing its falsehoods, promoting counter-narratives, and amplifying credible voices.

**SHARE RESPONSIBILITY:** Our allies and partners, who are also targets of terrorism, will continue to share responsibility in fighting these barbaric groups. We will help our partners develop and responsibly employ the capacity to

degrade and maintain persistent pressure against terrorists and will encourage partners to work independently of U.S. assistance.

**COMBAT RADICALIZATION AND RECRUITMENT IN COMMUNITIES:** The United States rejects bigotry and oppression and seeks a future built on our values as one American people. We will deny violent ideologies the space to take root by improving trust among law enforcement, the private sector, and American citizens. U.S. intelligence and homeland security experts will work with law enforcement and civic leaders on terrorism prevention and provide accurate and actionable information about radicalization in their communities.

### *Dismantle Transnational Criminal Organizations*

The United States must devote greater resources to dismantle transnational criminal organizations (TCOs) and their subsidiary networks. Some have established global supply chains that are

---

*We will give our frontline defenders—including homeland security, law enforcement, and intelligence professionals—the tools, authorities, and resources to stop terrorist acts before they take place.*

---

comparable to Fortune 500 corporations. Every day they deliver drugs to American communities, fuel gang violence, and engage in cybercrime. The illicit opioid epidemic, fed by drug cartels as well as Chinese fentanyl traffickers, kills tens of thousands of Americans each year. These organizations weaken our allies and partners too, by corrupting and undermining democratic institutions. TCOs are motivated by profit, power, and political influence. They exploit weak governance and enable other national security threats, including terrorist organizations. In addition, some state adversaries use TCOs as instruments of national power, offering them territorial sanctuary where they are free to conduct unattributable cyber intrusions, sabotage, theft, and political subversion.

### Priority Actions

**IMPROVE STRATEGIC PLANNING AND INTELLIGENCE:**

We will establish national-level strategic intelligence and planning capabilities to improve the ability of agencies to work together to combat TCOs at home and abroad.

**DEFEND COMMUNITIES:** We will deny TCOs the ability to harm Americans. We will support public health efforts to halt the growth of illicit drug use in the United States, expand national and community-based prevention efforts, increase access to evidenced-based treatment for addiction, improve prescription drug monitoring, and provide training on substance use disorders for medical personnel.

**DEFEND IN DEPTH:** U.S. agencies and foreign partners will target TCO leaders and their support infrastructure. We will assist countries, particularly in the Western Hemisphere, to break the power of these organizations and networks.

**COUNTER CYBER CRIMINALS:** We will use sophisticated investigative tools to disrupt the ability of criminals to use online marketplaces, cryptocurrencies, and other tools for illicit activities. The United States will hold countries accountable for harboring these criminals.

## Keep America Safe in the Cyber Era

America’s response to the challenges and opportunities of the cyber era will determine our future prosperity and security. For most of our history, the United States has been able to protect the homeland by controlling its land, air, space, and maritime domains. Today, cyberspace offers state and non-state actors the ability to wage campaigns against American political, economic, and security interests without ever physically crossing our borders. Cyberattacks offer adversaries low-

cost and deniable opportunities to seriously damage or disrupt critical infrastructure, cripple American businesses, weaken our Federal networks, and attack the tools and devices that Americans use every day to communicate and conduct business.

Critical infrastructure keeps our food fresh, our houses warm, our trade flowing, and our citizens productive and safe. The vulnerability of U.S. critical infrastructure to cyber, physical, and electromagnetic attacks means that adversaries could disrupt military command and control, banking and financial operations, the electrical grid, and means of communication.

Federal networks also face threats. These networks allow government agencies to carry out vital functions and provide services to the American peo-

*America’s response to the challenges and opportunities of the cyber era will determine our future prosperity and security.*



ple. The government must do a better job of protecting data to safeguard information and the privacy of the American people. Our Federal networks must be modernized and updated.

In addition, the daily lives of most Americans rely on computer-driven and interconnected technologies. As our reliance on computers and connectivity increases, we become increasingly vulnerable to cyberattacks. Businesses and individuals must be able to operate securely in cyberspace.

Security was not a major consideration when the Internet was designed and launched. As it evolves, the government and private sector must design systems that incorporate prevention, protection, and resiliency from the start, not as an afterthought. We must do so in a way that respects free markets, private competition, and the limited but important role of government in enforcing the rule of law. As we build the next generation of digital infrastructure, we have an opportunity to put our experience into practice.

The Internet is an American invention, and it should reflect our values as it continues to transform the future for all nations and all generations. A strong, defensible cyber infrastructure fosters economic growth, protects our liberties, and advances our national security.

### *Priority Actions*

**IDENTIFY AND PRIORITIZE RISK:** To improve the security and resilience of our critical infrastructure, we will assess risk across six key areas: national security, energy and power, banking and finance, health and safety, communications, and transportation. We will assess where cyberattacks could have catastrophic or cascading consequences and prioritize our protective efforts, capabilities, and defenses accordingly.

**BUILD DEFENSIBLE GOVERNMENT NETWORKS:** We will use the latest commercial capabilities, shared services, and best practices to modernize our Federal information technology. We will improve our ability to provide uninterrupted and secure communications and services under all conditions.

**DETER AND DISRUPT MALICIOUS CYBER ACTORS:** The Federal Government will ensure that those charged with securing critical infrastructure have the necessary authorities, information, and capabilities to prevent attacks before they affect or hold at risk U.S. critical infrastructure. The United States will impose swift and costly consequences on foreign governments, criminals, and other actors who undertake significant malicious cyber activities. We will work with allies and friends to expand our awareness of malicious activities. A stronger and more resilient critical infrastructure will strengthen deterrence by creating doubt in our adversaries that they can achieve their objectives.

**IMPROVE INFORMATION SHARING AND SENSING:** The U.S. Government will work with our critical infrastructure partners to assess their informational needs and to reduce the barriers to information sharing, such as speed and classification levels. We will also invest in capabilities that improve the ability of the United States to attribute cyberattacks. In accordance with the protection of civil liberties and privacy, the U.S. Government will expand collaboration with the private sector so that we can better detect and attribute attacks.

**DEPLOY LAYERED DEFENSES:** Since threats transit globally, passing through communications backbones without challenge, the U.S. Government will work with the private sector to remediate known bad activities at the network level to improve the security of all customers. Malicious activity must be defeated within a network and not be passed on to its destination whenever possible.

## Promote American Resilience

Despite our best efforts, our government cannot prevent all dangers to the American people. We can, however, help Americans remain resilient in the face of adversity. Resilience includes the ability to withstand and recover rapidly from deliberate attacks, accidents, natural disasters, as well as unconventional stresses, shocks, and threats to our economy and democratic system. In the event of a disaster, Federal, state, and local agencies must perform essential functions and have plans in place to ensure the continuation of our constitutional form of government.

Reducing risk and building more resilient communities are the best ways to protect people, property, and taxpayer dollars from loss and disruption. Through risk-informed investments, we will build resilient communities and infrastructure to protect and benefit future generations.

Should tragedy strike, the U.S. Government will help communities recover and rebuild. Citizens must be confident in our government, but also recognize that response and recovery begins with individuals and local communities. In difficult times, the true character of the American people emerges: their strength, their love, and their resolve. Our first responders selflessly run toward danger, and volunteers rally to the aid of neighbors when disaster strikes.

A democracy is only as resilient as its people. An informed and engaged citizenry is the fundamental requirement for a free and resilient nation. For generations, our society has protected free press, free speech, and free thought. Today, actors such as Russia are using information tools in an attempt to undermine the legitimacy of democracies. Adversaries target media, political processes, financial networks, and personal data. The American public and private sectors must recognize this and

work together to defend our way of life. No external threat can be allowed to shake our shared commitment to our values, undermine our system of government, or divide our Nation.

### *Priority Actions*

**IMPROVE RISK MANAGEMENT:** The United States will improve its ability to assess the threats and hazards that pose the greatest risks to Americans and will prioritize resources based on the highest risks.

**BUILD A CULTURE OF PREPAREDNESS:** This Administration will take steps to build a culture of preparedness, informing and empowering communities and individuals to obtain the skills and take the preparatory actions necessary to become more resilient against the threats and hazards that Americans face.

**IMPROVE PLANNING:** State and local governments must conduct realistic exercises that test existing plans to make sure that they are sound and can be executed. Agencies from all levels of government must coordinate better and apply lessons learned from exercises to pinpoint the areas and capabilities that require improvement.

**INCENTIVIZE INFORMATION SHARING:** To improve the coordination among the private sector and all levels of government that is needed to improve resilience, we must make a stronger commitment to protecting sensitive information so that all partners actively identify and share vulnerabilities and work collaboratively to reduce them.







---

P I L L A R   I I

# PROMOTE AMERICAN PROSPERITY

*“Economic security is national security.”*

PRESIDENT DONALD J. TRUMP | NOVEMBER 2017

**A** strong economy protects the American people, supports our way of life, and sustains American power. American workers thrive when they are free to innovate, develop and access our abundant natural resources, and operate in markets free from excessive regulations and unfair foreign trade practices. A growing and innovative economy allows the United States to maintain the world’s most powerful military and protect our homeland.

We must rebuild our economic strength and restore confidence in the American economic model. Over decades, American factories, companies, and jobs moved overseas. After the 2008 global financial crisis, doubt replaced confidence. Risk-aversion and regulations replaced investment and entrepreneurship. The recovery produced anemic growth in real earnings for American workers. The U.S. trade deficit grew as a result of several factors, including unfair trading practices.

For 70 years, the United States has embraced a strategy premised on the belief that leadership of a stable international economic system rooted in American principles of reciprocity, free markets, and free trade served our economic and security interests. Working with our allies and partners, the United States led the creation of a group of financial institutions and other economic forums that established equitable rules and built instruments to stabilize the interna-

tional economy and remove the points of friction that had contributed to two world wars.

That economic system continues to serve our interests, but it must be reformed to help American workers prosper, protect our innovation, and reflect the principles upon which that system was founded. Trading partners and international institutions can do more to address trade imbalances and adhere to and enforce the rules of the order.

Today, American prosperity and security are challenged by an economic competition playing out in a broader strategic context. The United States helped expand the liberal economic trading system to countries that did not share our values, in the hopes that these states would liberalize their economic and political practices and provide commensurate benefits to the United States. Experience shows that these countries distorted and undermined key economic institutions without undertaking significant reform of their economies or politics. They espouse free trade rhetoric and exploit its benefits, but only adhere selectively to the rules and agreements.

We welcome all economic relationships rooted in fairness, reciprocity, and faithful adherence to the rules. Those who join this pursuit will be our closest economic partners. But the United States will no longer turn a blind eye to violations, cheating, or economic aggression. We must work with like-

minded allies and partners to ensure our principles prevail and the rules are enforced so that our economies prosper.

The United States will pursue an economic strategy that rejuvenates the domestic economy, benefits the American worker, revitalizes the U.S. manufacturing base, creates middle-class jobs, encourages innovation, preserves technological advantage, safeguards the environment, and achieves energy dominance. Rebuilding economic strength at home and preserving a fair and reciprocal international economic system will enhance our security and advance prosperity and peace in the world.

---

*Rebuilding economic strength at home and preserving a fair and reciprocal international economic system will enhance our security and advance prosperity and peace in the world.*

---

ulation burdened small businesses. Banking regulations squelched new bank formation and caused hundreds of small banks to close. Regulation decreased credit availability to consumers and decreased product choice. Excessive environmental and infrastructure regulations impeded American energy trade and the development of new infrastructure projects.

Moreover, the poor state of our physical infrastructure stultified the economy, reduced the profitability of American small businesses, and slowed the productivity of American workers. America's digital infrastructure also fell behind. Improvements

in bandwidth, better broadband connectivity, and protection from persistent cyberattacks are needed to support America's future growth. Economic and personal transactions are dependent upon the ".com world," and wealth creation depends on a reliable, secure Internet.

The Administration is dedicated to rejuvenating the U.S. economy, unleashing the potential of all Americans, and restoring confidence in our free market system. Promoting American prosperity makes America more secure and advances American influence in the world.

## Rejuvenate the Domestic Economy

Economic challenges at home demand that we understand economic prosperity as a pillar of national security. Despite low unemployment rates and stock market gains, overall economic growth has, until recently, been anemic since the 2008 recession. In the past five years, gross domestic product (GDP) growth hovered barely above two percent, and wages stagnated. Taxes increased, and health insurance and prescription drug costs continued to rise, albeit at a slower pace. Education costs climbed at rates far above inflation, increasing student debt. Productivity growth fell to levels not seen in decades.

Significant government intrusion in the economy slowed growth and job creation. Regulatory and corporate tax policies incentivized businesses to invest overseas and disadvantaged American companies against foreign competitors. Excessive reg-

### *Priority Actions*

**REDUCE REGULATORY BURDENS:** Departments and agencies will eliminate unnecessary regulations that stifle growth, drive up costs for American businesses, impede research and development, discourage hiring, and incentivize domestic businesses to move overseas. We will balance our reduction in regulations with adequate protections and oversight.

**PROMOTE TAX REFORM:** This Administration will work with the Congress to create a simpler, fairer, and pro-growth tax code that encourages the creation of higher wage jobs and gives middle-income families tax relief. Reduced business tax rates and a territorial system for foreign subsidiary earnings will improve the competitiveness of American companies and encourage their return to the United States.

**IMPROVE AMERICAN INFRASTRUCTURE:** Federal, state, and local governments will work together with private industry to improve our airports, seaports and waterways, roads and railways, transit systems, and telecommunications. The United States will use our strategic advantage as a leading natural gas producer to transform transportation and manufacturing. We will improve America's digital infrastructure by deploying a secure 5G Internet capability nationwide. These improvements will increase national competitiveness, benefit the environment, and improve our quality of life.

**REDUCE THE DEBT THROUGH FISCAL RESPONSIBILITY:** The national debt, now over \$20 trillion, presents a grave threat to America's long-term prosperity and, by extension, our national security. By restraining Federal spending, making government more efficient, and by modernizing our tax system and making our businesses globally competitive, our economy will grow and make the existing debt more serviceable.

**SUPPORT EDUCATION AND APPRENTICESHIP PROGRAMS:**

We will support apprenticeships and workforce development programs that prepare American workers for high-wage manufacturing and science, technology, engineering, and mathematics (STEM) jobs of the 21st century.

## Promote Free, Fair, and Reciprocal Economic Relationships

For decades, the United States has allowed unfair trading practices to grow. Other countries have used dumping, discriminatory non-tariff barriers, forced technology transfers, non-economic capacity, industrial subsidies, and other support from governments and state-owned enterprises to gain economic advantages.

Today we must meet the challenge. We will address persistent trade imbalances, break down trade barriers, and provide Americans new opportunities to increase their exports. The United States will expand trade that is fairer so that U.S. workers and industries have more opportunities to compete for business. We oppose closed mercantilist trading blocks. By strengthening the international trading system and incentivizing other

countries to embrace market-friendly policies, we can enhance our prosperity.

The United States distinguishes between economic competition with countries that follow fair and free market principles and competition with those that act with little regard for those principles. We will compete with like-minded states in the economic domain—particularly where trade imbalances exist—while recognizing that competition is healthy when nations

share values and build fair and reciprocal relationships. The United States will pursue enforcement actions when countries violate the rules to gain unfair advantage. The United States will engage industrialized democracies and other like-minded states to defend against economic aggres-

---

*The Administration is dedicated to rejuvenating the U.S. economy, unleashing the potential of all Americans, and restoring confidence in our free market system.*

---



sion, in all its forms, that threatens our common prosperity and security.

### *Priority Actions*

**ADOPT NEW TRADE AND INVESTMENT AGREEMENTS AND MODERNIZE EXISTING ONES:** The United States will pursue bilateral trade and investment agreements with countries that commit to fair and reciprocal trade and will modernize existing agreements to ensure they are consistent with those principles. Agreements must adhere to high standards in intellectual property, digital trade, agriculture, labor, and the environment.

**COUNTER UNFAIR TRADE PRACTICES:** The United States will counter all unfair trade practices that distort markets using all appropriate means, from dialogue to enforcement tools.

**COUNTER FOREIGN CORRUPTION:** Using our economic and diplomatic tools, the United States will continue to target corrupt foreign officials and work with countries to improve their ability to fight corruption so U.S. companies can compete fairly in transparent business climates.

**WORK WITH LIKE-MINDED PARTNERS:** The United States will work with like-minded partners to preserve and modernize the rules of a fair and reciprocal economic order. Together we will emphasize fair trade enforcement actions when necessary, as well as multinational efforts to ensure transparency and adherence to international standards within trade and investment projects.

**FACILITATE NEW MARKET OPPORTUNITIES:** The United States will partner with countries as they build their export markets, promote free market competition, and incentivize private sector growth. We will expand U.S. trade and investment opportunities and increase the market base for U.S. goods and services.

## Lead in Research, Technology, Invention, and Innovation

The United States will build on the ingenuity that has launched industries, created jobs, and improved the quality of life at home and abroad. To maintain our competitive advantage, the United States will prioritize emerging technologies critical to economic growth and security, such as data science, encryption, autonomous technologies, gene editing, new materials, nanotechnology, advanced computing technologies, and artificial intelligence. From self-driving cars to autonomous weapons, the field of artificial intelligence, in particular, is progressing rapidly.

The United States must continue to attract the innovative and the inventive, the brilliant and the bold. We will encourage scientists in government, academia, and the private sector to achieve advancements across the full spectrum of discovery, from incremental improvements to game-changing breakthroughs. We will nurture a healthy innovation economy that collaborates with allies and partners, improves STEM education, draws on an advanced technical workforce, and invests in early-stage research and development (R&D).

### *Priority Actions*

**UNDERSTAND WORLDWIDE SCIENCE AND TECHNOLOGY (S&T) TRENDS:** To retain U.S. advantages over our competitors, U.S. Government agencies must improve their understanding of worldwide S&T trends and how they are likely to influence—or undermine—American strategies and programs.

**ATTRACT AND RETAIN INVENTORS AND INNOVATORS:** The U.S. Government must improve our collaboration with industry and academia and our recruitment of technical talent. We will remove barriers to the full use of talent across Federal agencies, and increase incentives for hiring and retaining Federal STEM employees. Initiatives



will include rapid hiring, swift adjudication of national security clearances, and offers of competitive salaries. We must create easier paths for the flow of scientists, engineers, and technologists into and out of public service.

**LEVERAGE PRIVATE CAPITAL AND EXPERTISE TO BUILD AND INNOVATE:** The U.S. Government will use private sector technical expertise and R&D capabilities more effectively. Private industry owns many of the technologies that the government relies upon for critical national security missions. The Department of Defense and other agencies will establish strategic partnerships with U.S. companies to help align private sector R&D resources to priority national security applications.

**RAPIDLY FIELD INVENTIONS AND INNOVATIONS:** The United States must regain the element of surprise and field new technologies at the pace of modern industry. Government agencies must shift from an archaic R&D process to an approach that rewards rapid fielding and risk taking.

## Promote and Protect the U.S. National Security Innovation Base

America's business climate and legal and regulatory systems encourage risk taking. We are a nation of people who work hard, dream big, and never give up. Not every country shares these characteristics. Some instead steal or illicitly acquire America's hard-earned intellectual property and proprietary information to compensate for their own systemic weaknesses.

Every year, competitors such as China steal U.S. intellectual property valued at hundreds of billions of dollars. Stealing proprietary technology and early-stage ideas allows competitors to unfairly tap into the innovation of free societies. Over the years, rivals have used sophisticated

means to weaken our businesses and our economy as facets of cyber-enabled economic warfare and other malicious activities. In addition to these illegal means, some actors use largely legitimate, legal transfers and relationships to gain access to fields, experts, and trusted foundries that fill their capability gaps and erode America's long-term competitive advantages.

We must defend our National Security Innovation Base (NSIB) against competitors. The NSIB is the American network of knowledge, capabilities, and people—including academia, National Laboratories, and the private sector—that turns ideas into innovations, transforms discoveries into successful commercial products and companies, and protects and enhances the American way of life. The genius of creative Americans, and the free system that enables them, is critical to American security and prosperity.

Protecting the NSIB requires a domestic and international response beyond the scope of any individual company, industry, university, or government agency. The landscape of innovation does not divide neatly into sectors. Technologies that are part of most weapon systems often originate in diverse businesses as well as in universities and colleges. Losing our innovation and technological edge would have far-reaching negative implications for American prosperity and power.

### *Priority Actions*

**UNDERSTAND THE CHALLENGES:** The U.S. Government will develop a capability to integrate, monitor, and better understand the national security implications of unfair industry trends and the actions of our rivals. We will explore new ways to share this information with the private sector and academia so they better understand their responsibilities in curtailing activities that undercut America's NSIB.

**PROTECT INTELLECTUAL PROPERTY:** The United States will reduce the illicit appropriation of U.S. pub-

lic and private sector technology and technical knowledge by hostile foreign competitors. While maintaining an investor-friendly climate, this Administration will work with the Congress to strengthen the Committee on Foreign Investment in the United States (CFIUS) to ensure it addresses current and future national security risks. The United States will prioritize counterintelligence and law enforcement activities to curtail intellectual property theft by all sources and will explore new legal and regulatory mechanisms to prevent and prosecute violations.

---

*For the first time in generations, the United States will be an energy-dominant nation.*

---

**TIGHTEN VISA PROCEDURES:**

The United States will review visa procedures to reduce economic theft by non-traditional intelligence collectors. We will consider restrictions on foreign STEM students from designated countries to ensure that intellectual property is not transferred to our competitors, while acknowledging the importance of recruiting the most advanced technical workforce to the United States.

**PROTECT DATA AND UNDERLYING INFRASTRUCTURE:**

The United States will expand our focus beyond protecting networks to protecting the data on those networks so that it remains secure—both at rest and in transit. To do this, the U.S. Government will encourage practices across companies and universities to defeat espionage and theft.

## Embrace Energy Dominance

For the first time in generations, the United States will be an energy-dominant nation. Energy dominance—America’s central position in the global energy system as a leading producer, consumer, and innovator—ensures that markets are free and U.S. infrastructure is resilient and secure. It ensures

that access to energy is diversified, and recognizes the importance of environmental stewardship.

Access to domestic sources of clean, affordable, and reliable energy underpins a prosperous, secure, and powerful America for decades to come.

Unleashing these abundant energy resources—coal, natural gas, petroleum, renewables, and nuclear—stimulates the economy and builds a foundation for future growth. Our Nation must take advantage of our wealth in domestic resources and energy efficiency to promote competitiveness across our industries.

The United States also anchors the North American energy system, which is one of the most highly integrated in the world. Our vibrant cross-border energy trade and investment are vital for a robust and resilient U.S. economy and energy market. We are committed to supporting energy initiatives that will attract investments, safeguard the environment, strengthen our energy security, and unlock the enormous potential of our shared region.

Climate policies will continue to shape the global energy system. U.S. leadership is indispensable to countering an anti-growth energy agenda that is detrimental to U.S. economic and energy security interests. Given future global energy demand, much of the developing world will require fossil fuels, as well as other forms of energy, to power their economies and lift their people out of poverty. The United States will continue to advance an approach that balances energy security, economic development, and environmental protection. The United States will remain a global leader in reducing traditional pollution, as well as greenhouse gases, while expanding our economy. This achievement, which can serve as a model to other countries, flows from innovation, technology breakthroughs, and energy efficiency gains, not from onerous regulation.

As a growing supplier of energy resources, technologies, and services around the world, the United States will help our allies and partners become more resilient against those that use energy to coerce. America's role as an energy exporter will also require an assessment of our vulnerabilities and a resilient American infrastructure.

Finally, the Nation's long-term energy security future rests with our people. We must invest in our future by supporting innovation and R&D, including through the National Laboratories.

### *Priority Actions*

**REDUCE BARRIERS:** The United States will promote clean and safe development of our energy resources, while limiting regulatory burdens that encumber energy production and constrain economic growth. We will streamline the Federal regulatory approval processes for energy infrastructure, from pipeline and export terminals to container shipments and gathering lines, while also ensuring responsible environmental stewardship.

**PROMOTE EXPORTS:** The United States will promote exports of our energy resources, technologies, and services, which helps our allies and partners diversify their energy sources and brings economic gains back home. We will expand our export capacity through the continued support of private sector development of coastal terminals, allowing increased market access and a greater competitive edge for U.S. industries.

**ENSURE ENERGY SECURITY:** The United States will work with allies and partners to protect global energy infrastructure from cyber and physical threats. The United States will support the diversification of energy sources, supplies, and routes at home and abroad. We will modernize our strategic petroleum stocks and encourage other countries to develop their own—consistent with their national energy security needs.

**ATTAIN UNIVERSAL ENERGY ACCESS:** The United States will seek to ensure universal access to affordable, reliable energy, including highly efficient fossil fuels, nuclear, and renewables, to help reduce poverty, foster economic growth, and promote prosperity.

**FURTHER AMERICA'S TECHNOLOGICAL EDGE:** We will improve America's technological edge in energy, including nuclear technology, next-generation nuclear reactors, better batteries, advanced computing, carbon-capture technologies, and opportunities at the energy-water nexus. The United States will continue to lead in innovative and efficient energy technologies, recognizing the economic and environmental benefits to end users.





---

P I L L A R   I I I

## PRESERVE PEACE THROUGH STRENGTH

*“As long as I am President, the servicemen and women who defend our Nation will have the equipment, the resources, and the funding they need to secure our homeland, to respond to our enemies quickly and decisively, and, when necessary, to fight, to overpower, and to always, always, always win.”*

PRESIDENT DONALD J. TRUMP | DECEMBER 2017

A central continuity in history is the contest for power. The present time period is no different. Three main sets of challengers—the revisionist powers of China and Russia, the rogue states of Iran and North Korea, and transnational threat organizations, particularly jihadist terrorist groups—are actively competing against the United States and our allies and partners. Although differing in nature and magnitude, these rivals compete across political, economic, and military arenas, and use technology and information to accelerate these contests in order to shift regional balances of power in their favor. These are fundamentally political contests between those who favor repressive systems and those who favor free societies.

China and Russia want to shape a world antithetical to U.S. values and interests. China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor. Russia seeks to restore its great power status and establish spheres of influence near its borders. The intentions of both nations are not necessarily fixed. The United

States stands ready to cooperate across areas of mutual interest with both countries.

For decades, U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others. China gathers and exploits data on an unrivaled scale and spreads features of its authoritarian system, including corruption and the use of surveillance. It is building the most capable and well-funded military in the world, after our own. Its nuclear arsenal is growing and diversifying. Part of China’s military modernization and economic expansion is due to its access to the U.S. innovation economy, including America’s world-class universities.

Russia aims to weaken U.S. influence in the world and divide us from our allies and partners. Russia views the North Atlantic Treaty Organization (NATO) and European Union (EU) as threats. Russia is investing in new military capabilities, including nuclear systems that remain the most significant existential threat to the United States, and in

destabilizing cyber capabilities. Through modernized forms of subversive tactics, Russia interferes in the domestic political affairs of countries around the world. The combination of Russian ambition and growing military capabilities creates an unstable frontier in Eurasia, where the risk of conflict due to Russian miscalculation is growing.

The scourge of the world today is a small group of rogue regimes that violate all principles of free and civilized states. The Iranian regime sponsors terrorism around the world. It is developing more capable ballistic missiles and has the potential to resume its work on nuclear weapons that could threaten the United States and our partners. North Korea is ruled as a ruthless dictatorship without regard for human dignity. For more than 25 years, it has pursued nuclear weapons and ballistic missiles in defiance of every commitment it has made. Today, these missiles and weapons threaten the United States and our allies. The longer we ignore threats from countries determined to proliferate and develop weapons of mass destruction, the worse such threats become, and the fewer defensive options we have.

The United States continues to wage a long war against jihadist terrorist groups such as ISIS and al-Qa'ida. These groups are linked by a common radical Islamist ideology that encourages violence against the United States and our partners and produces misery for those under their control. Although the United States and our partners have inflicted defeats on ISIS and al-Qa'ida in Syria and Iraq, these organizations maintain global reach with established branches in strategic locations. The threat from jihadist terrorists will persist, even as we intensify efforts to prevent attacks on Americans, our allies, and our partners.

Protecting American interests requires that we compete continuously within and across these contests, which are being played out in regions around the world. The outcome of these con-

tests will influence the political, economic, and military strength of the United States and our allies and partners.

To prevail, we must integrate all elements of America's national power—political, economic, and military. Our allies and partners must also contribute the capabilities, and demonstrate the will, to confront shared threats. Experience suggests that the willingness of rivals to abandon or forgo aggression depends on their perception of U.S. strength and the vitality of our alliances.

The United States will seek areas of cooperation with competitors from a position of strength, foremost by ensuring our military power is second to none and fully integrated with our allies and all of our instruments of power. A strong military ensures that our diplomats are able to operate from a position of strength. In this way we can, together with our allies and partners, deter and if necessary, defeat aggression against U.S. interests and increase the likelihood of managing competitions without violent conflict and preserving peace.

## Renew America's Competitive Advantages

The United States must consider what is enduring about the problems we face, and what is new. The contests over influence are timeless. They have existed in varying degrees and levels of intensity, for millennia. Geopolitics is the interplay of these contests across the globe. But some conditions are new, and have changed how these competitions are unfolding. We face simultaneous threats from different actors across multiple arenas—all accelerated by technology. The United States must develop new concepts and capabilities to protect our homeland, advance our prosperity, and preserve peace.

Since the 1990s, the United States displayed a great degree of strategic complacency. We assumed that our military superiority was guaranteed and that a democratic peace was inevitable. We believed that liberal-democratic enlargement and inclusion would fundamentally alter the nature of international relations and that competition would give way to peaceful cooperation.

Instead of building military capacity, as threats to our national security increased, the United States dramatically cut the size of our military to the lowest levels since 1940. Instead of developing important capabilities, the Joint Force entered a nearly decade long “procurement holiday” during which the acquisition of new weapon systems was severely limited. The breakdown of the Nation’s annual Federal budgeting process, exemplified by sequestration and repeated continuing resolutions, further contributed to the erosion of America’s military dominance during a time of increasing threats.

Despite decades of efforts to reform the way that the United States develops and procures new weapons, our acquisition system remained sclerotic. The Joint Force did not keep pace with emerging threats or technologies. We got less for our defense dollars, shortchanging American taxpayers and warfighters.

We also incorrectly believed that technology could compensate for our reduced capacity—for the ability to field enough forces to prevail militarily, consolidate our gains, and achieve our desired political ends. We convinced ourselves that all wars would be fought and won quickly, from stand-off distances and with minimal casualties.

In addition, after being dismissed as a phenomenon of an earlier century, great power competition returned. China and Russia began to reassert their influence regionally and globally. Today, they are fielding military capabilities designed to deny

America access in times of crisis and to contest our ability to operate freely in critical commercial zones during peacetime. In short, they are contesting our geopolitical advantages and trying to change the international order in their favor.

Moreover, deterrence today is significantly more complex to achieve than during the Cold War. Adversaries studied the American way of war and began investing in capabilities that targeted our strengths and sought to exploit perceived weaknesses. The spread of accurate and inexpensive weapons

and the use of cyber tools have allowed state and non-state competitors to harm the United States across various domains. Such capabilities contest what was until recently U.S. dominance across the land, air, maritime, space, and cyberspace domains. They also enable adversaries to attempt strategic attacks against the United States—without resorting to nuclear weapons—in ways that could cripple our economy and our ability to deploy our military forces. Deterrence must be extended across all of these domains and must address all possible strategic attacks.

In addition, adversaries and competitors became adept at operating below the threshold of open military conflict and at the edges of international law. Repressive, closed states and organizations, although brittle in many ways, are often more agile and faster at integrating economic, military, and especially informational

---

*The United States will seek areas of cooperation with competitors from a position of strength, foremost by ensuring our military power is second to none and fully integrated with our allies and all of our instruments of power.*

---



means to achieve their goals. They are unencumbered by truth, by the rules and protections of privacy inherent in democracies, and by the law of armed conflict. They employ sophisticated political, economic, and military campaigns that combine discrete actions. They are patient and content to accrue strategic gains over time—making it harder for the United States and our allies to respond. Such actions are calculated to achieve maximum effect without provoking a direct military response from the United States. And as these incremental gains are realized, over time, a new status quo emerges.

The United States must prepare for this type of competition. China, Russia, and other state and non-state actors recognize that the United States often views the world in binary terms, with states being either “at peace” or “at war,” when it is actually an arena of continuous competition. Our adversaries will not fight us on our terms. We will raise our competitive game to meet that challenge, to protect American interests, and to advance our values.

Our diplomatic, intelligence, military, and economic agencies have not kept pace with the changes in the character of competition. America’s military must be prepared to operate across a full spectrum of conflict, across multiple domains at once. To meet these challenges we must also upgrade our political and economic instruments to operate across these environments.

Bureaucratic inertia is powerful. But so is the talent, creativity, and dedication of Americans. By aligning our public and private sector efforts we can field a Joint Force that is unmatched. New advances in computing, autonomy, and manufacturing are already transforming the way we fight. When coupled with the strength of our allies and partners, this advantage grows. The future that we face is ours to win or lose. History suggests that Americans will rise to the occasion and that we can shift trends back in favor of the United States, our allies, and our partners.

## Renew Capabilities

Given the new features of the geopolitical environment, the United States must renew key capabilities to address the challenges we face.

### *Military*

U.S. military strength remains a vital component of the competition for influence. The Joint Force demonstrates U.S. resolve and commitment and provides us with the ability to fight and win across any plausible conflict that threatens U.S. vital interests.

The United States must retain overmatch—the combination of capabilities in sufficient scale to prevent enemy success and to ensure that America’s sons and daughters will never be in a fair fight. Overmatch strengthens our diplomacy and permits us to shape the international environment to protect our interests. To retain military overmatch the United States must restore our ability to produce innovative capabilities, restore the readiness of our forces for major war, and grow the size of the force so that it is capable of operating at sufficient scale and for ample duration to win across a range of scenarios.

We must convince adversaries that we can and will defeat them—not just punish them if they attack the United States. We must ensure the ability to deter potential enemies by denial, convincing them that they cannot accomplish objectives through the use of force or other forms of aggression. We need our allies to do the same—to modernize, acquire necessary capabilities, improve readiness, expand the size of their forces, and affirm the political will to win.



## Priority Actions

**MODERNIZATION:** Ensuring that the U.S. military can defeat our adversaries requires weapon systems that clearly overmatch theirs in lethality. Where possible, we must improve existing systems to maximize returns on prior investments. In other areas we should seek new capabilities that create clear advantages for our military while posing costly dilemmas for our adversaries. We must eliminate bureaucratic impediments to innovation and embrace less expensive and time-intensive commercial off-the-shelf solutions. Departments and agencies must work with industry to experiment, prototype, and rapidly field new capabilities that can be easily upgraded as new technologies come online.

**ACQUISITION:** The United States will pursue new approaches to acquisition to make better deals on behalf of the American people that avoid cost overruns, eliminate bloated bureaucracies, and stop unnecessary delays so that we can put the right equipment into the hands of our forces. We must harness innovative technologies that are being developed outside of the traditional defense industrial base.

**CAPACITY:** The size of our force matters. To deter conflict and, if deterrence fails, to win in war, the Nation must be able to field forces capable of operating in sufficient scale and for ample duration to defeat enemies, consolidate military gains, and achieve sustainable outcomes that protect the American people and our vital interests. The United States must reverse recent decisions to reduce the size of the Joint Force and grow the force while modernizing and ensuring readiness.

---

*Support for a vibrant domestic manufacturing sector, a solid defense industrial base, and resilient supply chains is a national priority.*

---

**IMPROVE READINESS:** The United States must retain a ready force that is capable of protecting the homeland while defending U.S. interests. Readiness requires a renewed focus on training, logistics, and maintenance. We must be able to get to a theater in time to shape events quickly. This will require a resilient forward posture and agile global mobility forces.

**RETAIN A FULL-SPECTRUM FORCE:** The Joint Force must remain capable of deterring and defeating the full range of threats to the United States. The Department of Defense must develop new operational concepts and capabilities to win without assured dominance in air, maritime, land, space, and cyberspace domains, including against those operating below the level of conventional military conflict.

We must sustain our competence in irregular warfare, which requires planning for a long-term, rather than ad hoc, fight against terrorist networks and other irregular threats.

## Defense Industrial Base

A healthy defense industrial base is a critical element of U.S. power and the National Security Innovation Base. The ability of the military to surge in response to an emergency depends on our Nation's ability to produce needed parts and systems, healthy and secure supply chains, and a skilled U.S. workforce. The erosion of American manufacturing over the last two decades, however, has had a negative impact on these capabilities and threatens to undermine the ability of U.S. manufacturers to meet national security requirements. Today, we rely on single domestic sources for some products and foreign supply chains for others, and we face the possibility of not being able to produce specialized components for

the military at home. As America’s manufacturing base has weakened, so too have critical workforce skills ranging from industrial welding, to high-technology skills for cybersecurity and aerospace. Support for a vibrant domestic manufacturing sector, a solid defense industrial base, and resilient supply chains is a national priority.

### *Priority Actions*

**UNDERSTAND THE PROBLEM:** We will evaluate the strengths and weaknesses of our defense industrial base, including the identification of materials essential to national security, contingencies that could affect supply chains, and technologies that are likely to be critical for the future.

**ENCOURAGE HOMELAND INVESTMENT:** The United States will promote policies and incentives that return key national security industries to American shores. Where possible, the U.S. Government will work with industry partners to strengthen U.S. competitiveness in key technologies and manufacturing capabilities. In addition, we will reform regulations and processes to facilitate the export of U.S. military equipment.

**PROTECT AND GROW CRITICAL SKILLS:** The United States must maintain and develop skilled trades and high-technology skills through increased support for technical college and apprenticeship programs. We will support STEM efforts, at the Federal and state levels, and target national security technology areas.

### *Nuclear Forces*

Nuclear weapons have served a vital purpose in America’s National Security Strategy for the past 70 years. They are the foundation of our strategy to preserve peace and stability by deterring aggression against the United States, our allies, and our partners. While nuclear deterrence strategies cannot prevent all conflict, they are essen-

tial to prevent nuclear attack, non-nuclear strategic attacks, and large-scale conventional aggression. In addition, the extension of the U.S. nuclear deterrent to more than 30 allies and partners helps to assure their security, and reduces their need to possess their own nuclear capabilities.

Following the Cold War, the United States reduced investments in our nuclear enterprise and reduced the role of nuclear weapons in our strategy. Some parts of America’s strategic nuclear Triad of bombers, sea-based missiles, and land-based missiles are over 30 years old, and much of our nuclear infrastructure dates to the World War II era. At the same time, however, nuclear-armed adversaries have expanded their arsenals and range of delivery systems. The United States must maintain the credible deterrence and assurance capabilities provided by our nuclear Triad and by U.S. theater nuclear capabilities deployed abroad. Significant investment is needed to maintain a U.S. nuclear arsenal and infrastructure that is able to meet national security threats over the coming decades.

### *Priority Actions*

**SUSTAIN U.S. NUCLEAR WEAPONS:** The United States will sustain a nuclear force structure that meets our current needs and addresses unanticipated risks. The United States does not need to match the nuclear arsenals of other powers, but we must sustain a stockpile that can deter adversaries, assure allies and partners, and achieve U.S. objectives if deterrence fails.

**MODERNIZE U.S. NUCLEAR FORCES AND INFRASTRUCTURE:** We will modernize our nuclear enterprise to ensure that we have the scientific, engineering, and manufacturing capabilities necessary to retain an effective and safe nuclear Triad and respond to future national security threats. Modernization and sustainment require investing in our aging command and control system and maintaining and growing

the highly skilled workforce needed to develop, manufacture, and deploy nuclear weapons.

**MAINTAIN STABLE DETERRENCE:** To avoid miscalculation, the United States will conduct discussions with other states to build predictable relationships and reduce nuclear risks. We will consider new arms control arrangements if they contribute to strategic stability and if they are verifiable. We will not allow adversaries to use threats of nuclear escalation or other irresponsible nuclear behaviors to coerce the United States, our allies, and our partners. Fear of escalation will not prevent the United States from defending our vital interests and those of our allies and partners.

## *Space*

The United States must maintain our leadership and freedom of action in space. Communications and financial networks, military and intelligence systems, weather monitoring, navigation, and more have components in the space domain. As U.S. dependence on space has increased, other actors have gained access to space-based systems and information. Governments and private sector firms have the ability to launch satellites into space at increasingly lower costs. The fusion of data from imagery, communications, and geolocation services allows motivated actors to access previously unavailable information. This “democratization of space” has an impact on military operations and on America’s ability to prevail in conflict.

Many countries are purchasing satellites to support their own strategic military activities. Others believe that the ability to attack space assets offers an asymmetric advantage and as a result, are pursuing a range of anti-satellite (ASAT) weapons. The United States considers unfettered access to and freedom to operate in space to be a vital interest. Any harmful interference with or an attack upon critical components of our space architecture that directly affects this vital U.S. inter-

est will be met with a deliberate response at a time, place, manner, and domain of our choosing.

## *Priority Actions*

**ADVANCE SPACE AS A PRIORITY DOMAIN:** America’s newly re-established National Space Council, chaired by the Vice President, will review America’s long-range space goals and develop a strategy that integrates all space sectors to support innovation and American leadership in space.

**PROMOTE SPACE COMMERCE:** The United States will simplify and update regulations for commercial space activity to strengthen competitiveness. As the U.S. Government partners with U.S. commercial space capabilities to improve the resiliency of our space architecture, we will also consider extending national security protections to our private sector partners as needed.

**MAINTAIN LEAD IN EXPLORATION:** To enable human exploration across the solar system and to bring back to Earth new knowledge and opportunities, we will increase public-private partnerships and promote ventures beyond low Earth orbit with allies and friends.

## *Cyberspace*

Malicious state and non-state actors use cyberattacks for extortion, information warfare, disinformation, and more. Such attacks have the capability to harm large numbers of people and institutions with comparatively minimal investment and a troubling degree of deniability. These attacks can undermine faith and confidence in democratic institutions and the global economic system.

Many countries now view cyber capabilities as tools for projecting influence, and some use cyber tools to protect and extend their autocratic regimes. Cyberattacks have become a key feature of modern conflict. The United States will deter,

defend, and when necessary defeat malicious actors who use cyberspace capabilities against the United States. When faced with the opportunity to take action against malicious actors in cyberspace, the United States will be risk informed, but not risk averse, in considering our options.

### *Priority Actions*

**IMPROVE ATTRIBUTION, ACCOUNTABILITY, AND RESPONSE:** We will invest in capabilities to support and improve our ability to attribute cyberattacks, to allow for rapid response.

**ENHANCE CYBER TOOLS AND EXPERTISE:** We will improve our cyber tools across the spectrum of conflict to protect U.S. Government assets and U.S. critical infrastructure, and to protect the integrity of data and information. U.S. departments and agencies will recruit, train, and retain a workforce capable of operating across this spectrum of activity.

**IMPROVE INTEGRATION AND AGILITY:** We will improve the integration of authorities and procedures across the U.S. Government so that cyber operations against adversaries can be conducted as required. We will work with the Congress to address the challenges that continue to hinder timely intelligence and information sharing, planning and operations, and the development of necessary cyber tools.

### *Intelligence*

America's ability to identify and respond to geostrategic and regional shifts and their political, economic, military, and security implications requires that the U.S. Intelligence Community (IC) gather, analyze, discern, and operationalize information. In this information-dominant era, the IC must continuously pursue strategic intelligence to anticipate geostrategic shifts, as well as shorter-term intelligence so that the United States can respond to the actions and provocations of rivals.

The ability of the United States to modernize our military forces to overmatch our adversaries requires intelligence support. Intelligence is needed to understand and anticipate foreign doctrine and the intent of foreign leaders, prevent tactical and operational surprise, and ensure that U.S. capabilities are not compromised before they are fielded. In addition, virtually all modern weapon systems depend upon data derived from scientific and technical intelligence.

The IC, as well as the law enforcement community, offer unique abilities to defend against and mitigate threat actors operating below the threshold of open conflict. Both communities have exceptionally strong liaison relationships throughout the world, allowing the United States to cooperate with allies and partners to protect against adversaries.

### *Priority Actions*

**IMPROVE UNDERSTANDING:** To prevent the theft of sensitive and proprietary information and maintain supply chain integrity, the United States must increase our understanding of the economic policy priorities of our adversaries and improve our ability to detect and defeat their attempts to commit economic espionage.

**HARNESS ALL INFORMATION AT OUR DISPOSAL:** The United States will, in concert with allies and partners, use the information-rich open-source environment to deny the ability of state and non-state actors to attack our citizens, conduct offensive intelligence activities, and degrade America's democratic institutions.

**FUSE INFORMATION AND ANALYSIS:** The United States will fuse our analysis of information derived from the diplomatic, information, military, and economic domains to compete more effectively on the geopolitical stage.

## Diplomacy and Statecraft

### *Competitive Diplomacy*

Across the competitive landscape, America's diplomats are our forward-deployed political capability, advancing and defending America's interests abroad. Diplomacy catalyzes the political, economic, and societal connections that create America's enduring alignments and that build positive networks of relationships with partners. Diplomacy sustains dialogue and fosters areas of cooperation with competitors. It reduces the risk of costly miscommunication.

Diplomacy is indispensable to identify and implement solutions to conflicts in unstable regions of the world short of military involvement. It helps to galvanize allies for action and marshal the collective resources of like-minded nations and organizations to address shared problems. Authoritarian states are eager to replace the United States where the United States withdraws our diplomats and closes our outposts.

We must upgrade our diplomatic capabilities to compete in the current environment and to embrace a competitive mindset. Effective diplomacy requires the efficient use of limited resources, a professional diplomatic corps, modern and safe facilities, and secure methods to communicate and engage with local populations.

### *Priority Actions*

**PRESERVE A FORWARD DIPLOMATIC PRESENCE:** Our diplomats must be able to build and sustain relationships where U.S. interests are at stake. Face-to-face diplomacy cannot be replaced by technology. Relationships, developed over time, create trust and shared understanding that the United States calls upon when confronting security threats, responding to crises, and encouraging others to share the burden for tackling the world's challenges. We must enable forward-deployed field work beyond the confines of diplomatic facilities, including partnering with military colleagues in conflict-affected states.

**ADVANCE AMERICAN INTERESTS:** In the ongoing contests for power, our diplomats must build and lead coalitions that advance shared interests and articulate America's vision in international forums, in bilateral relationships, and at local levels within states. Our diplomats need additional flexibility to operate in complex conflict-affected areas.

**CATALYZE OPPORTUNITIES:** Diplomats must identify opportunities for commerce and cooperation, and facilitate the cultural, educational, and people-to-people exchanges that create the networks of current and future political, civil society, and educational leaders who will extend a free and prosperous world.

---

*Diplomacy is indispensable to identify and implement solutions to conflicts in unstable regions of the world short of military involvement. It helps to galvanize allies for action and marshal the collective resources of like-minded nations and organizations to address shared problems.*

---

## *Tools of Economic Diplomacy*

Retaining our position as the world’s preeminent economic actor strengthens our ability to use the tools of economic diplomacy for the good of Americans and others. Maintaining America’s central role in international financial forums enhances our security and prosperity by expanding a community of free market economies, defending against threats from state-led economies, and protecting the U.S. and international economy from abuse by illicit actors.

We want to create wealth for Americans and our allies and partners. Prosperous states are stronger security partners who are able to share the burden of confronting common threats. Fair and reciprocal trade, investments, and exchanges of knowledge deepen our alliances and partnerships, which are necessary to succeed in today’s competitive geopolitical environment. Trade, export promotion, targeted use of foreign assistance, and modernized development finance tools can promote stability, prosperity, and political reform, and build new partnerships based on the principle of reciprocity.

Economic tools—including sanctions, anti-money-laundering and anti-corruption measures, and enforcement actions—can be important parts of broader strategies to deter, coerce, and constrain adversaries. We will work with like-minded partners to build support for tools of economic diplomacy against shared threats. Multilateral economic pressure is often more effective because it limits the ability of targeted states to circumvent measures and conveys united resolve.

---

*America's competitors weaponize information to attack the values and institutions that underpin free societies, while shielding themselves from outside information.*

---

## *Priority Actions*

**REINFORCE ECONOMIC TIES WITH ALLIES AND PARTNERS:** We will strengthen economic ties as a core aspect of our relationships with like-minded states and use our economic expertise, markets, and resources to bolster states threatened by our competitors.

**DEPLOY ECONOMIC PRESSURE ON SECURITY THREATS:** We will use existing and pursue new economic authorities and mobilize international actors to increase pressure on threats to peace and security in order to resolve confrontations short of military action.

**SEVER SOURCES OF FUNDING:** We will deny revenue to terrorists, WMD proliferators, and other illicit actors in order to constrain their ability to use and move funds to support hostile acts and operations.

## *Information Statecraft*

America’s competitors weaponize information to attack the values and institutions that underpin free societies, while shielding themselves from outside information. They exploit marketing techniques to target individuals based upon their activities, interests,

opinions, and values. They disseminate misinformation and propaganda.

Risks to U.S. national security will grow as competitors integrate information derived from personal and commercial sources with intelligence collection and data analytic capabilities based on Artificial Intelligence (AI) and machine learning. Breaches of U.S. commercial and government organizations also provide adversaries with data and insights into their target audiences.



China, for example, combines data and the use of AI to rate the loyalty of its citizens to the state and uses these ratings to determine jobs and more. Jihadist terrorist groups continue to wage ideological information campaigns to establish and legitimize their narrative of hate, using sophisticated communications tools to attract recruits and encourage attacks against Americans and our partners.

Russia uses information operations as part of its offensive cyber efforts to influence public opinion across the globe. Its influence campaigns blend covert intelligence operations and false online personas with state-funded media, third-party intermediaries, and paid social media users or “trolls.”

U.S. efforts to counter the exploitation of information by rivals have been tepid and fragmented. U.S. efforts have lacked a sustained focus and have been hampered by the lack of properly trained professionals. The American private sector has a direct interest in supporting and amplifying voices that stand for tolerance, openness, and freedom.

### *Priority Actions*

**PRIORITIZE THE COMPETITION:** We will improve our understanding of how adversaries gain informational and psychological advantages across all policies. The United States must empower a true public diplomacy capability to compete effectively in this arena.

**DRIVE EFFECTIVE COMMUNICATIONS:** We will craft and direct coherent communications campaigns to advance American influence and counter challenges from the ideological threats that emanate from radical Islamist groups and competitor nations. These campaigns will adhere to American values and expose adversary propaganda and disinformation.

**ACTIVATE LOCAL NETWORKS:** Local voices are most compelling and effective in ideological competitions. We must amplify credible voices and partner with them to advance alternatives to violent and hateful messages. Since media and Internet companies are the platforms through which messages are transported, the private sector should lend its creativity and resources to promoting the values that inspire and grow a community of civilized groups and individuals.

**SHARE RESPONSIBILITY:** The United States will urge states where radicalism thrives to take greater responsibility for countering violent messaging and promoting tolerant and pluralistic worldviews.

**UPGRADE, TAILOR, AND INNOVATE:** We will reexamine legacy delivery platforms for communicating U.S. messages overseas. We must consider more cost-effective and efficient ways to deliver and evaluate content consistent with U.S. national security interests.







---

P I L L A R I V

## ADVANCE AMERICAN INFLUENCE

*“Above all, we value the dignity of every human life, protect the rights of every person, and share the hope of every soul to live in freedom. That is who we are.”*

PRESIDENT DONALD J. TRUMP | JULY 2017

**O**ur America First foreign policy celebrates America’s influence in the world as a positive force that can help set the conditions for peace and prosperity and for developing successful societies.

There is no arc of history that ensures that America’s free political and economic system will automatically prevail. Success or failure depends upon our actions. This Administration has the confidence to compete to protect our values and interests and the fundamental principles that underpin them.

During the Cold War, a totalitarian threat from the Soviet Union motivated the free world to create coalitions in defense of liberty. Today’s challenges to free societies are just as serious, but more diverse. State and non-state actors project influence and advance their objectives by exploiting information, democratic media freedoms, and international institutions. Repressive leaders often collaborate to subvert free societies and corrupt multilateral organizations.

Around the world, nations and individuals admire what America stands for. We treat people equally and value and uphold the rule of law. We have a democratic system that allows the best ideas to flourish. We know how to grow economies so that individuals can achieve prosperity. These

qualities have made America the richest country on earth—rich in culture, talent, opportunities, and material wealth.

The United States offers partnership to those who share our aspirations for freedom and prosperity. We lead by example. “The world has its eye upon America,” Alexander Hamilton once observed. “The noble struggle we have made in the cause of liberty, has occasioned a kind of revolution in human sentiment. The influence of our example has penetrated the gloomy regions of despotism.”

We are not going to impose our values on others. Our alliances, partnerships, and coalitions are built on free will and shared interests. When the United States partners with other states, we develop policies that enable us to achieve our goals while our partners achieve theirs.

Allies and partners are a great strength of the United States. They add directly to U.S. political, economic, military, intelligence, and other capabilities. Together, the United States and our allies and partners represent well over half of the global GDP. None of our adversaries have comparable coalitions.

We encourage those who want to join our community of like-minded democratic states and

improve the condition of their peoples. By modernizing U.S. instruments of diplomacy and development, we will catalyze conditions to help them achieve that goal. These aspiring partners include states that are fragile, recovering from conflict, and seeking a path forward to sustainable security and economic growth. Stable, prosperous, and friendly states enhance American security and boost U.S. economic opportunities.

We will continue to champion American values and offer encouragement to those struggling for human dignity in their societies. There can be no moral equivalency between nations that uphold the rule of law, empower women, and respect individual rights and those that brutalize and suppress their people. Through our words and deeds, America demonstrates a positive alternative to political and religious despotism.

## Encourage Aspiring Partners

Some of the greatest triumphs of American statecraft resulted from helping fragile and developing countries become successful societies. These successes, in turn, created profitable markets for American businesses, allies to help achieve favorable regional balances of power, and coalition partners to share burdens and address a variety of problems around the world. Over time, the United States has helped create a network of states that advance our common interests and values.

This historical record is unprecedented and exceptional. American support to aspiring partners enabled the recovery of the countries of Western Europe under the Marshall Plan, as well as the

ongoing integration of Central and Eastern Europe into Western institutions after the Cold War. In Asia, the United States worked with South Korea and Japan, countries ravaged by war, to help them become successful democracies and among the most prosperous economies in the world.

These achievements were products of patient partnerships with those who aspired to build prosperous societies and join the community of democratic states. They resulted in mutually beneficial relationships in which the United States helped states mobilize their own resources to achieve transitions to growth and stability. Working with these countries made the United States wealthier and

more competitive. This progress illustrates how effective foreign assistance programs should reach their natural endpoint.

Today, the United States must compete for positive relationships around the world. China and Russia target their investments in the developing world to expand influence and gain competitive advantages against the United States. China is investing billions of dollars in infrastructure across the globe. Russia, too, projects its influence economically, through the control of key energy and other infrastructure throughout parts of Europe and Central Asia. The United States provides an alternative to state-directed investments, which often leave developing countries worse off. The United States pursues economic ties not only for market access but also to create enduring relationships to advance common political and security interests.

The United States will promote a development model that partners with countries that want progress, consistent with their culture, based on free market principles, fair and reciprocal trade, private

---

*There is no arc of history that ensures that America's free political and economic system will automatically prevail. Success or failure depends upon our actions.*

---

sector activity, and rule of law. The United States will shift away from a reliance on assistance based on grants to approaches that attract private capital and catalyze private sector activity. We will emphasize reforms that unlock the economic potential of citizens, such as the promotion of formal property rights, entrepreneurial reforms, and infrastructure improvements—projects that help people earn their livelihood and have the added benefit of helping U.S. businesses. By mobilizing both public and private resources, the United States can help maximize returns and outcomes and reduce the burden on U.S. Government resources. Unlike the state-directed mercantilism of some competitors that can disadvantage recipient nations and promote dependency, the purpose of U.S. foreign assistance should be to end the need for it. The United States seeks strong partners, not weak ones.

U.S. development assistance must support America's national interests. We will prioritize collaboration with aspiring partners that are aligned with U.S. interests. We will focus on development investments where we can have the most impact—where local reformers are committed to tackling their economic and political challenges.

Within this framework, the United States will also assist fragile states to prevent threats to the U.S. homeland. Transnational threat organizations, such as jihadist terrorists and organized crime, often operate freely from fragile states and undermine sovereign governments. Failing states can destabilize entire regions.

Across Africa, Latin America, and Asia, states are eager for investments and financing to develop their infrastructure and propel growth. The United States and its partners have opportunities to work with countries to help them realize their potential as prosperous and sovereign states that are accountable to their people. Such states can become trading partners that buy more American-made goods and create more predictable business environments that benefit American

companies. American-led investments represent the most sustainable and responsible approach to development and offer a stark contrast to the corrupt, opaque, exploitive, and low-quality deals offered by authoritarian states.

### *Priority Actions: Developing Countries*

**MOBILIZE RESOURCES:** The United States will modernize its development finance tools so that U.S. companies have incentives to capitalize on opportunities in developing countries. With these changes, the United States will not be left behind as other states use investment and project finance to extend their influence. In addition, the U.S. Government must not be an obstacle to U.S. companies that want to conduct business in the developing world.

**CAPITALIZE ON NEW TECHNOLOGIES:** We will incorporate innovative technologies in our diplomatic and development programs. For example, digital technologies enable millions to access financial services through their cell phones and can connect farmers to markets. Such technologies can reduce corruption, increase transparency, and help ensure that money reaches its intended destination.

**INCENTIVIZE REFORMS:** The United States will use diplomacy and assistance to encourage states to make choices that improve governance, rule of law, and sustainable development. We already do this through the Millennium Challenge Corporation, which selects countries that are committed to reform and then monitors and evaluates their projects.

### *Priority Actions: Fragile States*

**COMMIT SELECTIVELY:** We will give priority to strengthening states where state weaknesses or failure would magnify threats to the American

homeland. For instance, engagement in Afghanistan seeks to prevent the reemergence of terrorist safe havens.

**WORK WITH REFORMERS:** Political problems are at the root of most state fragility. The United States will prioritize programs that empower reform-minded governments, people, and civil society. As the United States designs its efforts, inputs from local actors improve the likelihood of enduring solutions, reduce costs, and increase accountability to the American taxpayer.

**SYNCHRONIZE ACTIONS:** The United States must use its diplomatic, economic, and military tools simultaneously when assisting aspiring partners. We will place a priority on economic support that achieves local and macroeconomic stability, helps build capable security forces, and strengthens the rule of law.

## Achieve Better Outcomes in Multilateral Forums

The United States must lead and engage in the multinational arrangements that shape many of the rules that affect U.S. interests and values. A competition for influence exists in these institutions. As we participate in them, we must protect American sovereignty and advance American interests and values.

A range of international institutions establishes the rules for how states, businesses, and individuals interact with each other, across land and sea, the Arctic, outer space, and the digital realm. It is vital to U.S. prosperity and security that these institutions uphold the rules that help keep these common domains open and free. Free access to the seas remains a central principle of national security and economic prosperity, and exploration of sea and space provides opportunities for commercial gain and scientific breakthroughs. The flow of data

and an open, interoperable Internet are inseparable from the success of the U.S. economy.

Authoritarian actors have long recognized the power of multilateral bodies and have used them to advance their interests and limit the freedom of their own citizens. If the United States cedes leadership of these bodies to adversaries, opportunities to shape developments that are positive for the United States will be lost. All institutions are not equal, however. The United States will prioritize its efforts in those organizations that serve American interests, to ensure that they are strengthened and supportive of the United States, our allies, and our partners. Where existing institutions and rules need modernizing, the United States will lead to update them. At the same time, it should be clear that the United States will not cede sovereignty to those that claim authority over American citizens and are in conflict with our constitutional framework.

### *Priority Actions*

**EXERCISE LEADERSHIP IN POLITICAL AND SECURITY BODIES:** The United States will strive for outcomes in political and security forums that are consistent with U.S. interests and values—values which are shared by our allies and partners. The United Nations can help contribute to solving many of the complex problems in the world, but it must be reformed and recommit to its founding principles. We will require accountability and emphasize shared responsibility among members. If the United States is asked to provide a disproportionate level of support for an institution, we will expect a commensurate degree of influence over the direction and efforts of that institution.

**SHAPE AND REFORM INTERNATIONAL FINANCIAL AND TRADE INSTITUTIONS:** The United States will continue to play a leading role in institutions such as the International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO), but will

improve their performance through reforms. These reforms include encouraging multilateral development banks to invest in high-quality infrastructure projects that promote economic growth. We will press to make the WTO a more effective forum to adjudicate unfair trade practices.

#### **ENSURE COMMON DOMAINS**

**REMAIN FREE:** The United States will provide leadership and technology to shape and govern common domains—space, cyberspace, air, and maritime—within the framework of international law. The United States supports the peaceful resolution of disputes under international law but will use all of its instruments of power to defend U.S. interests and to ensure common domains remain free.

#### **PROTECT A FREE AND OPEN**

**INTERNET:** The United States will advocate for open, interoperable communications, with minimal barriers to the global exchange of information and services. The United States will promote the free flow of data and protect its interests through active engagement in key organizations, such as the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Governance Forum (IGF), the UN, and the International Telecommunication Union (ITU).

## Champion American Values

The extraordinary trajectory of the United States from a group of colonies to a thriving, industrialized, sovereign republic—the world's lone superpower—is a testimony to the strength of the idea on which our Nation is founded, namely that each of our citizens is born free and equal under

the law. America's core principles, enshrined in the Declaration of Independence, are secured by the Bill of Rights, which proclaims our respect for fundamental individual liberties beginning with the freedoms of religion, speech, the press, and assembly. Liberty, free enterprise, equal justice under the law, and the dignity of every human life are central to who we are as a people.

---

*For much of the world,  
America's liberties are  
inspirational, and the United  
States will always stand  
with those who seek freedom.  
We will remain a beacon  
of liberty and opportunity  
around the world.*

---

These principles form the foundation of our most enduring alliances, and the United States will continue to champion them. Governments that respect the rights of their citizens remain the best vehicle for prosperity, human happiness, and peace. In contrast, governments that routinely abuse the rights of their citizens do not play constructive roles in the world. For example, governments that fail to treat women equally do not allow their societies to reach their potential.

No nation can unilaterally alleviate all human suffering, but just because we cannot help everyone does not mean that we should stop trying to help anyone. For much of the world, America's liberties are inspirational, and the United States will always stand with those who seek freedom. We will remain a beacon of liberty and opportunity around the world.

The United States also remains committed to supporting and advancing religious freedom—America's first freedom. Our Founders understood religious freedom not as the state's creation, but as the gift of God to every person and a fundamental right for our flourishing society.

And it is part of our culture, as well as in America's interest, to help those in need and those trying to

build a better future for their families. We aid others judiciously, aligning our means to our objectives, but with a firm belief that we can improve the lives of others while establishing conditions for a more secure and prosperous world.

### *Priority Actions*

**SUPPORT THE DIGNITY OF INDIVIDUALS:** We support, with our words and actions, those who live under oppressive regimes and who seek freedom, individual dignity, and the rule of law. We are under no obligation to offer the benefits of our free and prosperous community to repressive regimes and human rights abusers. We may use diplomacy, sanctions, and other tools to isolate states and leaders who threaten our interests and whose actions run contrary to our values. We will not remain silent in the face of evil. We will hold perpetrators of genocide and mass atrocities accountable.

**DEFEAT TRANSNATIONAL TERRORIST ORGANIZATIONS:** There can be no greater action to advance the rights of individuals than to defeat jihadist terrorists and other groups that foment hatred and use violence to advance their supremacist Islamist ideologies. We will continue to join with other states to defeat this scourge of all civilized peoples.

**EMPOWER WOMEN AND YOUTH:** Societies that empower women to participate fully in civic and economic life are more prosperous and peaceful. We will support efforts to advance women's equality, protect the rights of women and girls, and promote women and youth empowerment programs.

**PROTECT RELIGIOUS FREEDOM AND RELIGIOUS MINORITIES:** We will advocate on behalf of religious freedom and threatened minorities. Religious minorities continue to be victims of violence. We will place a priority on protecting these groups and will continue working with regional partners to protect minority communities from attacks and to preserve their cultural heritage.

**REDUCE HUMAN SUFFERING:** The United States will continue to lead the world in humanitarian assistance. Even as we expect others to share responsibility, the United States will continue to catalyze international responses to man-made and natural disasters and provide our expertise and capabilities to those in need. We will support food security and health programs that save lives and address the root cause of hunger and disease. We will support displaced people close to their homes to help meet their needs until they can safely and voluntarily return home.









---

## THE STRATEGY IN A REGIONAL CONTEXT

The United States must tailor our approaches to different regions of the world to protect U.S. national interests. We require integrated regional strategies that appreciate the nature and magnitude of threats, the intensity of competitions, and the promise of available opportunities, all in the context of local political, economic, social, and historical realities.

**C**hanges in a regional balance of power can have global consequences and threaten U.S. interests. Markets, raw materials, lines of communication, and human capital are located within, or move among, key regions of the world. China and Russia aspire to project power worldwide, but they interact most with their neighbors. North Korea and Iran also pose the greatest menace to those closest to them. But, as destructive weapons proliferate and regions become more interconnected, threats become more difficult to contain. And regional balances that shift against the United States could combine to threaten our security.

The United States must marshal the will and capabilities to compete and prevent unfavorable shifts in the Indo-Pacific, Europe, and the Middle East. Sustaining favorable balances of power will require a strong commitment and close cooperation with allies and partners because allies and partners magnify U.S. power and extend U.S. influence. They share our interests and responsibility for resisting authoritarian trends, contesting radical ideologies, and deterring aggression.

In other regions of the world, instability and weak governance threaten U.S. interests. Some governments are unable to maintain security and meet the basic needs of their people, making their country and citizens vulnerable to preda-

tors. Terrorists and criminals thrive where governments are weak, corruption is rampant, and faith in government institutions is low. Strategic competitors often exploit rather than discourage corruption and state weakness to extract resources and exploit their populations.

Regions afflicted by instability and weak governments also offer opportunities to improve security, promote prosperity, and restore hope. Aspiring partner states across the developing world want to improve their societies, build transparent and effective governments, confront non-state threats, and strengthen their sovereignty. Many recognize the opportunities offered by market economies and political liberties and are eager for partnership with the United States and our allies. The United States will encourage aspiring partners as they undertake reforms and pursue their aspirations. States that prosper and nations that transition from recipients of development assistance to trading partners offer economic opportunities for American businesses. And stability reduces threats that target Americans at home.

### Indo-Pacific

A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region. The region, which stretches

from the west coast of India to the western shores of the United States, represents the most populous and economically dynamic part of the world. The U.S. interest in a free and open Indo-Pacific extends back to the earliest days of our republic.

Although the United States seeks to continue to cooperate with China, China is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability. China has mounted a rapid military modernization campaign designed to limit U.S. access to the region and provide China a freer hand there. China presents its ambitions as mutually beneficial, but Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific. States throughout the region are calling for sustained U.S. leadership in a collective response that upholds a regional order respectful of sovereignty and independence.

In Northeast Asia, the North Korean regime is rapidly accelerating its cyber, nuclear, and ballistic missile programs. North Korea's pursuit of these weapons poses a global threat that requires a global response. Continued provocations by North Korea will prompt neighboring countries and the United States to further strengthen security bonds and take additional measures to protect themselves. And a nuclear-armed North Korea could lead to the prolif-

eration of the world's most destructive weapons across the Indo-Pacific region and beyond.

U.S. allies are critical to responding to mutual threats, such as North Korea, and preserving our mutual interests in the Indo-Pacific region. Our alliance and friendship with South Korea, forged

by the trials of history, is stronger than ever. We welcome and support the strong leadership role of our critical ally, Japan. Australia has fought alongside us in every significant conflict since World War I, and continues to reinforce economic and security arrangements that support our shared interests and safeguard democratic values across the region. New Zealand is a key U.S. partner contributing to peace and security across the region. We welcome

India's emergence as a leading global power and stronger strategic and defense partner. We will seek to increase quadrilateral cooperation with Japan, Australia, and India.

In Southeast Asia, the Philippines and Thailand remain important allies and markets for Americans. Vietnam, Indonesia, Malaysia, and Singapore are growing security and economic partners of the United States. The Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) remain centerpieces of the Indo-Pacific's regional architecture and platforms for promoting an order based on freedom.

### *Priority Actions*

**POLITICAL:** Our vision for the Indo-Pacific excludes no nation. We will redouble our commitment to established alliances and partnerships, while expanding and deepening relationships with new

---

*Sustaining favorable balances of power will require a strong commitment and close cooperation with allies and partners because allies and partners magnify U.S. power and extend U.S. influence.*

---

partners that share respect for sovereignty, fair and reciprocal trade, and the rule of law. We will reinforce our commitment to freedom of the seas and the peaceful resolution of territorial and maritime disputes in accordance with international law. We will work with allies and partners to achieve complete, verifiable, and irreversible denuclearization on the Korean Peninsula and preserve the non-proliferation regime in Northeast Asia.

**ECONOMIC:** The United States will encourage regional cooperation to maintain free and open seaways, transparent infrastructure financing practices, unimpeded commerce, and the peaceful resolution of disputes. We will pursue bilateral trade agreements on a fair and reciprocal basis. We will seek equal and reliable access for American exports. We will work with partners to build a network of states dedicated to free markets and protected from forces that would subvert their sovereignty. We will strengthen cooperation with allies on high-quality infrastructure. Working with Australia and New Zealand, we will shore up fragile partner states in the Pacific Islands region to reduce their vulnerability to economic fluctuations and natural disasters.

**MILITARY AND SECURITY:** We will maintain a forward military presence capable of deterring and, if necessary, defeating any adversary. We will strengthen our long-standing military relationships and encourage the development of a strong defense network with our allies and partners. For example, we will cooperate on missile defense with Japan and South Korea to move toward an area defense capability. We remain ready to respond with overwhelming force to North Korean aggression and will improve options to compel denuclearization of the peninsula. We will improve law enforcement, defense, and intelligence cooperation with Southeast Asian partners to address the growing terrorist threat. We will maintain our strong ties with Taiwan in accordance with our “One China” policy, including our commitments under the

Taiwan Relations Act to provide for Taiwan’s legitimate defense needs and deter coercion. We will expand our defense and security cooperation with India, a Major Defense Partner of the United States, and support India’s growing relationships throughout the region. We will re-energize our alliances with the Philippines and Thailand and strengthen our partnerships with Singapore, Vietnam, Indonesia, Malaysia, and others to help them become cooperative maritime partners.

## Europe

A strong and free Europe is of vital importance to the United States. We are bound together by our shared commitment to the principles of democracy, individual liberty, and the rule of law. Together, we rebuilt Western Europe after World War II and created institutions that produced stability and wealth on both sides of the Atlantic. Today, Europe is one of the most prosperous regions in the world and our most significant trading partner.

Although the menace of Soviet communism is gone, new threats test our will. Russia is using subversive measures to weaken the credibility of America’s commitment to Europe, undermine transatlantic unity, and weaken European institutions and governments. With its invasions of Georgia and Ukraine, Russia demonstrated its willingness to violate the sovereignty of states in the region. Russia continues to intimidate its neighbors with threatening behavior, such as nuclear posturing and the forward deployment of offensive capabilities.

China is gaining a strategic foothold in Europe by expanding its unfair trade practices and investing in key industries, sensitive technologies, and infrastructure. Europe also faces immediate threats from violent Islamist extremists. Attacks by ISIS and other jihadist groups in Spain, France, Germany, Belgium, the United Kingdom, and

other countries show that our European partners continue to face serious threats. Instability in the Middle East and Africa has triggered the movement of millions of migrants and refugees into Europe, exacerbating instability and tensions in the region.

The United States is safer when Europe is prosperous and stable, and can help defend our shared interests and ideals. The United States remains firmly committed to our European allies and partners. The NATO alliance of free and sovereign states is one of our great advantages over our competitors, and the United States remains committed to Article V of the Washington Treaty.

European allies and partners increase our strategic reach and provide access to forward basing and overflight rights for global operations. Together we confront shared threats. European nations are contributing thousands of troops to help fight jihadist terrorists in Afghanistan, stabilize Iraq, and fight terrorist organizations across Africa and the greater Middle East.

The NATO alliance will become stronger when all members assume greater responsibility for and pay their fair share to protect our mutual interests, sovereignty, and values.

### *Priority Actions*

**POLITICAL:** The United States will deepen collaboration with our European allies and partners to confront forces threatening to undermine our common values, security interests, and shared vision. The United States and Europe will work together to counter Russian subversion and aggression, and the threats posed by North Korea and Iran. We will continue to advance our shared principles and interests in international forums.

**ECONOMIC:** The United States will work with the European Union, and bilaterally with the United Kingdom and other states, to ensure fair and reciprocal trade practices and eliminate barriers to

growth. We will encourage European foreign direct investment in the United States to create jobs. We will work with our allies and partners to diversify European energy sources to ensure the energy security of European countries. We will work with our partners to contest China's unfair trade and economic practices and restrict its acquisition of sensitive technologies.

**MILITARY AND SECURITY:** The United States fulfills our defense responsibilities and expects others to do the same. We expect our European allies to increase defense spending to 2 percent of gross domestic product by 2024, with 20 percent of this spending devoted to increasing military capabilities. On NATO's eastern flank we will continue to strengthen deterrence and defense, and catalyze frontline allies and partners' efforts to better defend themselves. We will work with NATO to improve its integrated air and missile defense capabilities to counter existing and projected ballistic and cruise missile threats, particularly from Iran. We will increase counterterrorism and cybersecurity cooperation.

## Middle East

The United States seeks a Middle East that is not a safe haven or breeding ground for jihadist terrorists, not dominated by any power hostile to the United States, and that contributes to a stable global energy market.

For years, the interconnected problems of Iranian expansion, state collapse, jihadist ideology, socio-economic stagnation, and regional rivalries have convulsed the Middle East. The United States has learned that neither aspirations for democratic transformation nor disengagement can insulate us from the region's problems. We must be realistic about our expectations for the region without allowing pessimism to obscure our interests or vision for a modern Middle East.

The region remains home to the world's most dangerous terrorist organizations. ISIS and al-Qa'ida thrive on instability and export violent jihad. Iran, the world's leading state sponsor of terrorism, has taken advantage of instability to expand its influence through partners and proxies, weapon proliferation, and funding. It continues to develop more capable ballistic missiles and intelligence capabilities, and it undertakes malicious cyber activities. These activities have continued unabated since the 2015 nuclear deal. Iran continues to perpetuate the cycle of violence in the region, causing grievous harm to civilian populations. Rival states are filling vacuums created by state collapse and prolonged regional conflict.

Despite these challenges, there are emerging opportunities to advance American interests in the Middle East. Some of our partners are working together to reject radical ideologies, and key leaders are calling for a rejection of Islamist extremism and violence. Encouraging political stability and sustainable prosperity would contribute to dampening the conditions that fuel sectarian grievances.

For generations the conflict between Israel and the Palestinians has been understood as the prime irritant preventing peace and prosperity in the region. Today, the threats from jihadist terrorist organizations and the threat from Iran are creating the realization that Israel is not the cause of the region's problems. States have increasingly found common interests with Israel in confronting common threats.

Today, the United States has the opportunity to catalyze greater economic and political cooperation that will expand prosperity for those who want to partner with us. By revitalizing partnerships with reform-minded nations and encour-

aging cooperation among partners in the region, the United States can promote stability and a balance of power that favors U.S. interests.

### *Priority Actions*

**POLITICAL:** We will strengthen partnerships, and form new ones, to help advance security through stability. Whenever possible, we will encourage gradual reforms. We will support efforts to counter violent ideologies and increase respect for the dignity of individuals. We remain committed to helping our partners achieve a stable and prosperous region, including through a strong and integrated Gulf Cooperation Council. We will strengthen our long-term strategic partnership with Iraq as an independent state. We will seek a settlement to the Syrian civil war that sets the conditions for refugees to return home and rebuild their lives in safety. We will work with partners to deny the Iranian

regime all paths to a nuclear weapon and neutralize Iranian malign influence. We remain committed to helping facilitate a comprehensive peace agreement that is acceptable to both Israelis and Palestinians.

**ECONOMIC:** The United States will support the reforms underway that begin to address core inequities that jihadist terrorists exploit. We will encourage states in the region, including

Egypt and Saudi Arabia, to continue modernizing their economies. We will play a role in catalyzing positive developments by engaging economically, supporting reformers, and championing the benefits of open markets and societies.

**MILITARY AND SECURITY:** We will retain the necessary American military presence in the region to protect the United States and our allies from terrorist attacks and preserve a favorable regional

---

*Terrorists and criminals thrive where governments are weak, corruption is rampant, and faith in government institutions is low.*

---



balance of power. We will assist regional partners in strengthening their institutions and capabilities, including in law enforcement, to conduct counterterrorism and counterinsurgency efforts. We will help partners procure interoperable missile defense and other capabilities to better defend against active missile threats. We will work with partners to neutralize Iran's malign activities in the region.

## South and Central Asia

With over a quarter of the world's population, a fifth of all U.S.-designated terrorist groups, several fast-growing economies, and two nuclear-armed states, South and Central Asia present some of the most complicated national security challenges and opportunities. The region spans the terrorist threats emanating from the Middle East and the competition for power unfolding in Europe and the Indo-Pacific. The United States continues to face threats from transnational terrorists and militants operating from within Pakistan. The prospect for an Indo-Pakistani military conflict that could lead to a nuclear exchange remains a key concern requiring consistent diplomatic attention.

U.S. interests in the region include countering terrorist threats that impact the security of the U.S. homeland and our allies, preventing cross-border terrorism that raises the prospect of military and nuclear tensions, and preventing nuclear weapons, technology, and materials from falling into the hands of terrorists. We seek an American presence in the region proportionate to threats to the homeland and our allies. We seek a Pakistan that is not engaged in destabilizing behavior and a stable and self-reliant Afghanistan. And we seek Central Asian states that are resilient against domination by rival powers, are resistant to becoming jihadist safe havens, and prioritize reforms.

### *Priority Actions*

**POLITICAL:** We will deepen our strategic partnership with India and support its leadership role in Indian Ocean security and throughout the broader region. We will press Pakistan to intensify its counterterrorism efforts, since no partnership can survive a country's support for militants and terrorists who target a partner's own service members and officials. The United States will also encourage Pakistan to continue demonstrating that it is a responsible steward of its nuclear assets. We will continue to partner with Afghanistan to promote peace and security in the region. We will continue to promote anti-corruption reform in Afghanistan to increase the legitimacy of its government and reduce the appeal of violent extremist organizations. We will help South Asian nations maintain their sovereignty as China increases its influence in the region.

**ECONOMIC:** We will encourage the economic integration of Central and South Asia to promote prosperity and economic linkages that will bolster connectivity and trade. And we will encourage India to increase its economic assistance in the region. In Pakistan, we will build trade and investment ties as security improves and as Pakistan demonstrates that it will assist the United States in our counterterrorism goals.

**MILITARY AND SECURITY:** We are committed to supporting the Afghan government and security forces in their fight against the Taliban, al-Qa'ida, ISIS, and other terrorists. We will bolster the fighting strength of the Afghan security forces to convince the Taliban that they cannot win on the battlefield and to set the conditions for diplomatic efforts to achieve enduring peace. We will insist that Pakistan take decisive action against militant and terrorist groups operating from its soil. We will work with the Central Asian states to guarantee access to the region to support our counterterrorism efforts.



## Western Hemisphere

Stable, friendly, and prosperous states in the Western Hemisphere enhance our security and benefit our economy. Democratic states connected by shared values and economic interests will reduce the violence, drug trafficking, and illegal immigration that threaten our common security, and will limit opportunities for adversaries to operate from areas of close proximity to us.

In the last half century, parts of this hemisphere were marred by dictatorships and insurgencies that killed tens of thousands of people. Today, this region stands on the cusp of prosperity and peace, built upon democracy and the rule of law. U.S. trade in the region is thriving and market opportunities for American goods and services, energy and infrastructure projects, and foreign direct investment continue to expand.

Challenges remain, however. Transnational criminal organizations—including gangs and cartels—perpetuate violence and corruption, and threaten the stability of Central American states including Guatemala, Honduras, and El Salvador. In Venezuela and Cuba, governments cling to anachronistic leftist authoritarian models that continue to fail their people. Competitors have found operating space in the hemisphere.

China seeks to pull the region into its orbit through state-led investments and loans. Russia continues its failed politics of the Cold War by bolstering its radical Cuban allies as Cuba continues to repress its citizens. Both China and Russia support the dictatorship in Venezuela and are seeking to expand military linkages and arms sales across the region. The hemisphere's democratic states have a shared interest in confronting threats to their sovereignty.

Canada and the United States share a unique strategic and defense partnership. The United States also has important and deepening rela-

tions with key countries in the region. Together, we will build a stable and peaceful hemisphere that increases economic opportunities for all, improves governance, reduces the power of criminal organizations, and limits the malign influence of non-hemispheric forces.

### *Priority Actions*

**POLITICAL:** We will catalyze regional efforts to build security and prosperity through strong diplomatic engagement. We will isolate governments that refuse to act as responsible partners in advancing hemispheric peace and prosperity. We look forward to the day when the people of Cuba and Venezuela can enjoy freedom and the benefits of shared prosperity, and we encourage other free states in the hemisphere to support this shared endeavor.

**ECONOMIC:** We will modernize our trade agreements and deepen our economic ties with the region and ensure that trade is fair and reciprocal. We will encourage further market-based economic reforms and encourage transparency to create conditions for sustained prosperity. We will ensure the U.S. financial system does not serve as a haven or transit point for criminal proceeds.

**MILITARY AND SECURITY:** We will build upon local efforts and encourage cultures of lawfulness to reduce crime and corruption, including by supporting local efforts to professionalize police and other security forces; strengthen the rule of law and undertake judicial reform; and improve information sharing to target criminals and corrupt leaders and disrupt illicit trafficking.

## Africa

Africa remains a continent of promise and enduring challenges. Africa contains many of the world's fastest growing economies, which represent potential new markets for U.S. goods and services. Aspiring partners across the continent are eager to build market-based economies and enhance stability. The demand for quality American exports is high and will likely grow as Africa's population and prosperity increase. People across the continent are demanding government accountability and less corruption, and are opposing autocratic trends. The number of stable African nations has grown since the independence era as numerous countries have emerged from devastating conflicts and undergone democratic transitions.

Despite this progress, many states face political turbulence and instability that spills into other regions. Corruption and weak governance threaten to undermine the political benefits that should emerge from new economic opportunities. Many African states are battlegrounds for violent extremism and jihadist terrorists. ISIS, al-Qa'ida, and their affiliates operate on the continent and have increased the lethality of their attacks, expanded into new areas, and targeted U.S. citizens and interests. African nations and regional organizations have demonstrated a commitment to confront the threat from jihadist terrorist organizations, but their security capabilities remain weak.

China is expanding its economic and military presence in Africa, growing from a small investor in the continent two decades ago into Africa's largest trading partner today. Some Chinese prac-

tices undermine Africa's long-term development by corrupting elites, dominating extractive industries, and locking countries into unsustainable and opaque debts and commitments.

The United States seeks sovereign African states that are integrated into the world economy, able to provide for their citizens' needs, and capable of managing threats to peace and security. Improved governance in these states supports economic development and opportunities, diminishes the attraction of illegal migration, and reduces vulnerability to extremists, thereby reducing instability.

### Priority Actions

**POLITICAL:** The United States will partner with governments, civil society, and regional organizations to end long-running, violent conflicts. We will encourage reform, working with promising nations to promote effective governance, improve the rule of law, and develop institutions accountable and responsive to citizens. We will continue to respond to humanitarian needs while also working with committed governments and regional organizations to address the root causes of human suffering. If necessary, we are prepared to sanction government officials and institutions that prey on their citizens and commit atrocities. When there is no alternative, we will suspend aid rather than see it exploited by corrupt elites.

**ECONOMIC:** We will expand trade and commercial ties to create jobs and build wealth for Americans and Africans. We will work with reform-oriented governments to help establish conditions that can transform them into trading partners and improve

---

*We will encourage reform, working with promising nations to promote effective governance, improve the rule of law, and develop institutions accountable and responsive to citizens.*

---

their business environment. We will support economic integration among African states. We will work with nations that seek to move beyond assistance to partnerships that promote prosperity. We will offer American goods and services, both because it is profitable for us and because it serves as an alternative to China's often extractive economic footprint on the continent.

**MILITARY AND SECURITY:** We will continue to work with partners to improve the ability of their security services to counter terrorism, human trafficking, and the illegal trade in arms and natural resources. We will work with partners to defeat terrorist organizations and others who threaten U.S. citizens and the homeland.





---

## CONCLUSION

This National Security Strategy sets a positive strategic direction for the United States that is meant to reassert America's advantages on the world stage and to build upon our country's great strengths. During the Trump Administration, the American people can be confident that their security and prosperity will always come first. A secure, prosperous, and free America will be strong and ready to lead abroad to protect our interests and our way of life.

**A**merica's renewed strategic confidence is anchored in our recommitment to the principles inscribed in our founding documents. The National Security Strategy celebrates and protects what we hold dear—individual liberty, the rule of law, a democratic system of government, tolerance, and opportunity for all. By knowing ourselves and what we stand for, we clarify what we must defend and we establish guiding principles for our actions.

This strategy is guided by principled realism. It is realist because it acknowledges the central role of power in international politics, affirms that sovereign states are the best hope for a peaceful world, and clearly defines our national interests. It is principled because it is grounded in the knowledge that advanc-

ing American principles spreads peace and prosperity around the globe. We are guided by our values and disciplined by our interests.

This Administration has a bright vision of America's future. America's values and influence, underwritten by American power, make the world more free, secure, and prosperous.

Our Nation derives its strength from the American people. Every American has a role to play in this grand, national effort to implement this America First National Security Strategy. Together, our task is to strengthen our families, to build up our communities, to serve our citizens, and to celebrate American greatness as a shining example to the world. We will leave our children and grandchildren a Nation that is stronger, better, freer, prouder, and greater than ever before.







