Where is the ship headed?

Trade and taxes

TRANSATLANTIC TRADE
Will the US allow NAFTA negotiations to fail?

TRANSATLANTIC TRENDS
Transatlantic Business Barometer

CHAMBER NEWS
Former Ambassador Ischinger honored
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Dear Reader,

Trade and taxes. These are the two key words currently making the rounds in transatlantic affairs. With the US tax reform signed into law at the end of December and the Trump administration making trade a priority in 2018, both issues have been defining our work here at AmCham Germany.

Understandably, we’ve been fielding a lot of questions, in particular these: What are we to make of these developments? What impacts will the US tax reform have on transatlantic business? Where is US trade policy headed in 2018?

We want to get to the bottom of these issues with answers, so we delve into the details in this issue of commerce germany. Stefan Theil analyzes the current trade policies of the Trump administration and puts them into global perspective in our cover story. This message is shared by Dr. Berend Diekmann from the German Ministry of Economic Affairs and Energy, who writes in "Transatlantic Trends" about the possible repercussions for transatlantic business if NAFTA negotiations fail. Our focus on tax and trade is rounded out by Christoph Letzgus from PricewaterhouseCoopers, who takes a closer look at the impacts of tax reform on the American economy.

Of course, these topics aren’t the only ones on our minds lately here at AmCham Germany. In March, we awarded the 30th Transatlantic Partnership Award to former Ambassador Wolfgang Ischinger at an event in Berlin. Juliane Schäuble from Der Tagesspiegel interviewed Ischinger exclusively for this issue. We’ve also just published our very first Transatlantic Business Barometer, an enhanced version of our yearly study that now shows how foreign investors view both the US and Germany as investment locations. Our Innovation and Research Committee is now up and running as well, and Committee Chairs Stefan Schraff and Philipp Braun explain why it’s important to promote research and utilize the growth potential of innovation in this issue’s "Policy Spotlight."

On a more personal note, this will be my last issue of commerce germany as AmCham Germany President. It’s not easy for me to leave, and I would like to thank all of you for your support, trust and guidance over the years. I’m confident AmCham Germany will continue to serve as an excellent bridge builder and, most importantly, the voice of transatlantic business. My successor will be elected at this year’s Annual Membership Meeting on April 27, 2018, in Stuttgart. I look forward to seeing you there!

Best regards,

Bernhard Mattes
AmCham Germany
President
Networking professionals: the members of AmCham Germany

Becoming a member...

... of AmCham Germany means joining one of the most influential organizations in transatlantic business and gaining access to a top-level network. The Chamber offers a long list of member advantages. These benefits include networking opportunities, advocacy, valuable information resources, business support services and public communication. Depending on the size of your company, we offer the following membership categories:

- Executive Membership
- Corporate Membership
- Delegate Membership
- Basic Membership
- Individual Membership

Executive Membership benefits:

- Four free Delegate Members in addition to the company's membership
- Company logo featured on our website
- Presentation of company logo in a special section of the AmCham Germany Yearbook
- Invitations to exclusive events
- Preferential admittance to Policy Committees

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NextGen Initiative: building a community of young, enthusiastic transatlantic ambassadors

The AmCham Germany NextGen Initiative selection committee has concluded its work: 35 individuals from various industries and sectors will participate in this year’s program. All AmCham Germany corporate members were eligible to nominate two employees between 32 and 41 years old who have had at least five years’ work experience in a leadership or professional position and a special interest in transatlantic relations.

The yearlong program launched in 2017 will kick off this summer with a conference featuring workshops and the opportunity to talk with high-level speakers. Throughout the NextGen year, participants will take part in a series of leadership sessions with CEOs as well as other activities sponsored by the regional chapters of AmCham Germany.

New Trade Committee Co-Chair:
Dr. Christina Gommlich

The AmCham Germany Trade Committee gained a new co-chair when Dr. Christina Gommlich, Senior Manager of Economic Policy and International Networks at BASF SE, took the post at the end of 2017. Gommlich has joined Dr. Clemens Doepgen, Executive Director of Ford-Werke GmbH, to chair the committee, which serves as a platform to advocate for free trade. The committee organizes meetings with stakeholders and monitors trade-related issues, including EU-US trade relations, US sanctions and tariffs, and NAFTA and Brexit negotiations. “Strengthening transatlantic relations is more essential today than ever before,” states Gommlich, adding: “By integrating the competencies and perspectives of both US and German member companies, the Trade Committee plays a crucial role in transatlantic trade discourse.”

New Berlin-Brandenburg Committee Chair:
Prof. Torsten Oltmanns

Prof. Torsten Oltmanns of Roland Berger was welcomed in December 2017 as the new chair of the Berlin-Brandenburg Regional Committee. He brings a new vision for events, such as shorter and digital formats that include online conferences with American business and technology experts. He will also develop a “debriefing” format to deliver firsthand impressions from major events such as the Munich Security Conference and the World Economic Forum.

Oltmanns heads Stakeholder Management and Executive Communication at Roland Berger where he also serves as Chairman of Global Marketing. Oltmanns is a professor of economic policy at Quadriga University of Applied Sciences in Berlin, an honorary professor at the University of Innsbruck and a visiting fellow at the University of Oxford.

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CHAMBER NEWS

In memory of Erivan Haub

AmCham Germany mourns the loss of its Honorary Member, Erivan Karl M. Haub, who passed away on March 6, 2018. He was highly involved in Chamber activities for many decades. AmCham Germany has lost a staunch transatlantic supporter from among its ranks. He will be greatly missed as an engaged, charming and tireless supporter of AmCham Germany and transatlantic relations.

New Energy and Climate Committee Co-Chair: Kathrin Falk

Kathrin Falk, who heads the Berlin office of ExxonMobil Central Europe Holding GmbH, is the new co-chair of the Energy and Climate Committee. She joins Dr. Birgit Ortlieb, Director of Government Affairs in Germany at Dow Deutschland Inc., to steer the committee’s activities, which focus on competitive energy conditions, climate change, energy efficiency, industrial sustainability and consumer safety. The Energy and Climate Committee supports the principles of market competitiveness, demand-oriented innovation and excellence in production processes. “The committee works to ensure AmCham Germany contributes to competitive, stable and sustainable energy policies in Germany,” Falk says, stating as well: “It also emphasizes the importance of transatlantic research cooperation for energy and climate issues and brings together experts and stakeholders from both sides of the Atlantic.”

Financial Services Committee relaunched

Same name, new game: Drawing on feedback from the membership, AmCham Germany relaunched the Financial Services Committee, created a new concept for it, and welcomed two co-chairs in early 2018. Under the expert leadership of Dr. Martin Deckert, a partner at SKUBCH&COMPANY Management Consultants, and Martin Wiesmann, Managing Director and Vice Chairman of Investment Banking at J. P. Morgan, the committee will monitor current developments and their effects on companies in the financial services industry. The committee has organized events around topics of membership interest including Brexit, financial sector innovations such as FinTech and digitalization, US and EU regulatory developments, and data protection and security.

New AmCham Germany office in Frankfurt/M

The AmCham Germany team based in Frankfurt/M will move on May 1 to a new office just a few doors from the present location. The office at Börsenplatz 13-15 features a new layout that supports teamwork and enhances creativity and includes a collaborative working space open to AmCham Germany members. Stop by and check out the new office setting!
Overshadowing trade tensions
AmCham Germany’s position

At the beginning of March when President Donald Trump announced a 25% tariff on steel and a 10% tariff on aluminum — without exception — he opened the economic and political Pandora’s box. This announcement constituted a sudden turn away from the transatlantic partnership. But the worst-case scenario and what has been fueling European apprehensiveness — that is, a transatlantic trade war — was averted on March 23 when Trump removed the EU from these tariffs. The change came thanks to intense negotiations held by the EU and the German governments with the US administration.

AmCham Germany sees this as a positive signal for free trade in the transatlantic economic zone and for the European-American partnership. But this preliminary exception is only the first important step. The goal must be a permanent exclusion from US tariffs. Engaging in a dialogue as equals and reigniting trust in working together as partners will be crucial in achieving this goal.

Tariffs would affect not just the European economy, but also the American

AmCham Germany and American companies surveyed, 93% agree that the single-sided application of tariffs on steel and aluminum would not achieve their stated purpose for the US economy. The industries using steel and aluminum in the US are around 40 to 50 times larger than those that produce steel and aluminum. Those affected include the automotive, aviation and construction industries as well as manufacturers of food packaging and home appliances. For these branches, the tariffs would not only increase the cost of production but would also drive up consumer prices and put jobs at risk. Even within the US there’s notable opposition to this kind of tariff. It’s even being discussed as a kind of “family tax,” because in the end it’ll be the American consumer who will suffer the most. The positive effects of the recent US tax reform would be wiped out by the tariffs, for both companies and individual households. And possible countermeasures by export partners could eventually put additional strain on the American economy, especially for agriculture.

Our countries and supply chains are very closely linked, therefore it’s essential to work together more rather than less. For the European, German and American economies it’s essential that all stakeholders decisively commit themselves to opposing further trade barriers. As a voice of the transatlantic business community, AmCham Germany works on both sides of the Atlantic in support of free trade and close cooperation.
Defending transatlantic values and advocating international cooperation

Former Ambassador Wolfgang Ischinger is the recipient of the 2018 AmCham Germany Transatlantic Partnership Award. Known internationally for his many accomplishments in foreign relations and his fierce dedication to the transatlantic partnership, Ischinger was honored to have received the award, stating: "The preservation and promotion of the transatlantic community of values, even in stormy times, has been a central concern for me since the beginning of my diplomatic career."
Former Ambassador Wolfgang Ischinger is presented with the AmCham Germany Transatlantic Partnership Award by AmCham Germany Executive Vice President Frank Riemensperger and AmCham Germany President Bernhard Mattes.
At the award ceremony on March 1 at the Bärensaal in Berlin, General Jim Jones (USMC, ret.) and Prof. Wolfgang Reitzle both praised Ischinger for his steadfast commitment to European-American relations in their laudatory remarks. In paying tribute to the former Ambassador, Jones emphasized that “the transatlantic relationship remains indispensable to the US and Europe alike.”

Reitzle expanded on the reasons for bestowing the award to Ischinger, highlighting the diplomat’s unremitting efforts to preserve and continue the transatlantic partnership, also stating: “We’re faced with the task of reviving the European idea and reforming the EU. On the one hand, the EU must free itself from dependency on the US, but on the other, it must never give up the transatlantic relationship.”

200 high-level guests from business, politics and media enjoyed the insightful discussion of transatlantic relations between former Ambassador Ischinger and the laudatory speakers during the fireside chat.

Former US Secretary of Defense Ashton Carter and former US Secretary of State Madeleine Albright also contributed testimonials specifically for the award ceremony.

Carter wrote: “For my generation of Americans, Wolfgang stands for all that is steady, good and great in Germany and Europe,” while Albright explained: “Few have done more to advance the cause of a strong US-German relationship than Ambassador Wolfgang Ischinger. Whether as deputy foreign minister, ambassador to the United States or as chairman of the Munich Security Conference, Ischinger has been a staunch defender of transatlantic values and a principled advocate for international cooperation.”

The laudatory speakers

General Jim Jones (USMC, ret.), a former US national security adviser, has garnered extensive transatlantic experience from his positions as commander of the US European Command (COMUSEUCOM), supreme allied commander of Europe (SACEUR) and chairman of the Atlantic Council.

Prof. Wolfgang Reitzle, Chairman of the Supervisory Board of Linde AG, has held high-level positions in the automotive industry both in Germany and the US. He is also a strong advocate of the German-American partnership as chairman of the Munich Security Conference Advisory Council.

The prestigious Transatlantic Partnership Award is presented each year to a recipient in honor of his or her outstanding contributions to the German-American relationship and significant support of future endeavors. Recipients of the Transatlantic Partnership Award in recent years include such exceptional, high-ranking advocates of the transatlantic partnership as former California Governor Arnold Schwarzenegger (2009), Prof. Hasso Plattner (2010), the Bill & Melinda Gates Foundation (2011), Dirk Nowitzki (2012), the Berlin and New York Philharmonic orchestras (2013), and Airbus Group and UTC (2015) as well as BASF, BMW Group, Henkel, Trumpf Group and ZF Friedrichshafen (2016).
Wolfgang Ischinger on transatlantic relations

INTERVIEW BY JULIANE SCHÄUBLE

“The entire foundation of free trade is eroding.”
You just received the Transatlantic Partnership Award from AmCham Germany. What would you say are three key points about why transatlantic relations are the most important in the world?

The transatlantic relationship lies at the core of what we in the West regard as a community of shared values. In addition, Germany renounced nuclear weapons in the Cold War and is therefore incapable of protecting itself in a world where nuclear weapons could potentially play a role. That's why we must rely on an alliance or a protective arrangement. The US has provided this in the form of the NATO partnership. I don't see any indication we can now dispense with this protection. As a third point, no bilateral relationship has such strong economic ties as the one between Germany and the US. This is more than just a matter of trade. Mutual investments are even more important. We’ve created around 700,000 jobs in the US and vice versa.

And yet President Trump is threatening to impose punitive tariffs that could critically impact German industry.

A step that doesn’t bode well for global trade policy. The entire foundation of free trade is eroding. There’s great concern we’ll slide into a no-win situation with our eyes wide open. But this isn’t the first time transatlantic trade policy has faced conflicts. The ’60s also saw a chicken war, the predecessor to the chlorine chicken dispute. By the way: Had we been able to conclude TTIP in the Obama era, we’d now have a secure agreement that’d be much harder for Trump to break.

Protectionism would also harm the US economy. Doesn’t that concern Trump?

It all depends on if counter measures are taken. If each iPhone or Microsoft product is taxed with an additional 30% tariff, then the powerful companies will have to send their lobbyists to Washington, DC.

Should the EU threaten with counter measures?

Threatening is always wrong, especially if you’re not sure whether or not you’ll follow through with the threat. But you should clearly demonstrate that you’re willing to respond with pressure to defend the global free-trade system. The decisive factor is how exactly the tariffs look. Are they universal or aimed at specific countries and industries? The goal of our policy must be to conduct negotiations to preferably prevent such steps.

Time and again we’ve heard we shouldn’t take everything that Trump says or tweets so literally. Do we have to learn to look away?

In certain areas, it would be a mistake not to take Donald Trump and his tweets seriously. For many years, Trump has thought that the American trade policy does more harm than good for the country. Just as he’s contended for a long time that America is being robbed by NATO allies that don’t invest enough money into their own defense. He does have a point about that. We should take him seriously, but not overreact. And some of his announcements have in the end been less drastically implemented than feared.
The specter of a trade war is haunting the global economy. For the first time in seven decades, an American administration is challenging the global trading order that the US itself created, supported and sustained. Following up on his campaign promise to shield US workers from imports by overturning “bad deals” with trading partners, President Donald Trump has unveiled new tariffs and quotas aimed at cutting America’s massive trade deficit with the rest of the world. At stake aren’t just a few shiploads of aluminum or steel, or the American fruit and wine hit by Chinese retaliation. As any student of the 1930s knows, a spiral of protectionism could wreak deadly havoc on the global economy.

As worrying as this turning point is, let’s step back for a moment. The US remains one of the most open economies in the world by any measure — at least as open as Europe, significantly more open than Japan, and incomparably more open than China. Transatlantic trade skirmishes have a long history. The thriving, €35 trillion transatlantic economy is the world’s largest bilateral economic relationship and it has weathered far more serious economic and political crises in the past. And amid the understandable nervousness over Trump’s threats against Germany and other trading partners,
TRADE AND TAXES

Donald Trump’s attacks on the global trading order could lead to a dangerous unraveling. But if we keep our wits, the outcome could be trade that’s both free and fair.

BY STEFAN THEIL

let’s not forget the good news coming out of Washington these days: German companies with operations in the US just received a massive windfall, thanks to the recent cut in the corporate tax rate from 35% to 21%. According to accounting firm EY, the 30 largest German companies got a collective boost totaling €7 billion.

Amazingly, Trump has galvanized support for trade and globalization even among those who were previously complacent or opposed. According to a June 2017 Allensbach poll, 82% of Germans now support free trade. A full 63% say the country benefits from globalization, up from only 50% in the previous poll. This is the same public that only a short while ago led Europe in furious opposition to the Transatlantic Trade and Investment Partnership (TTIP), betraying a remarkable naïveté about the sources of the country’s prosperity and jobs. And it bears repeating: Of all the major economies, Germany can least afford to lose access to foreign markets: It earns 46% of its GDP from exports compared to 12% for the US, 16% for Japan and 20% for China. Since the anti-TTIP episode, the EU has signed new trade agreements with Canada, Japan and others — deals that received broad support from the German press, politicians and public.

The wake-up call was overdue. That’s because the slow but steady undermining of the global trading system long predates the German anti-TTIP movement or the Trump administration. Since the 2008 global financial crisis, the G20 countries alone have introduced over 1,000 new trade restrictions to favor domestic producers and keep out the competition, according to World Trade Organization (WTO) figures. Europe, too, has been busy fortifying barriers, especially in agriculture and food, where dubious bans — such as those on GMO — are not based on accepted science or risk assessments. And neither the Western powers nor the WTO have found a sustainable way to integrate China into the global economic system. Despite joining the WTO in 2001, Beijing continues to understand trade mainly as a one-way street for Chinese exports.

So you don’t have to side with the current White House to recognize an important potential opening. The far greater long-term challenge to the transatlantic economy than any new round of tariffs is the rise of China as a superpower — a country that has embarked on a new era of economic planning and state control and is systematically closing the door to Western companies. With the “Made in China 2025” initiative, Beijing has launched a far-ranging industrial policy for Chinese companies

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to control at least 70% of the domestic market in 10 important growth sectors. The large-scale import substitution plan aims to drive foreign companies out of the Chinese market for information technology, machine tools, medical equipment, robots, electric cars and other areas of technology. For several years now, European and American companies have been sounding the alarm as the climate for them deteriorates in the world’s largest market. Some 80% of US companies operating in China and 70% of European ones say they are “less welcome in China today” than before the new policy, citing rising protectionism and barriers to investment. Western producers complain they are being pushed out of sectors as varied as wind turbines, medical equipment and electric cars. As a result, foreign direct investment in China has dropped sharply and is now dwarfed by Chinese purchases of Western firms — especially in the industries targeted by “Made in China 2025.” That has raised alarm bells in Berlin, Washington and other Western capitals.

Since Washington announced plans to impose tariffs on $60 billion of Chinese goods, Beijing has called for new talks and compromise. Once again, Premier Li Keqiang has promised to ease restrictions on foreign ownership of Chinese companies, abolish mandatory technology transfers, and open up previously restricted sectors of the economy such as financial services, telecommunications and entertainment. Yet actions speak louder than words. Beijing has been promising better market access since at least 2013, while in reality it has made business more difficult for Western companies.

As Washington takes aim at Chinese policies on trade and investment, Europe has an opportunity to join in pressuring Beijing to finally level the playing field. European and American companies alike must be protected from intellectual property theft, from forced technology transfers, and from new policies that seek to push them out of the Chinese market. Washington’s stated aim of achieving a more reciprocal system that is fairer to both sides deserves support. If partnering with the White House proves difficult, there are many other US actors who still strongly support transatlantic trade yet share the concern over China. These include the business community, Europe’s allies in Congress and countless export-dependent communities across the US.

Things could still go wrong, of course. Some of the new ideas about trade and the global economy coming out of Washington are irrational and pernicious. The US has a trade deficit because it saves too little, and it has lost manufacturing jobs because of technology and productivity gains, not because of “bad deals” with trading partners. Focusing only on bilateral negotiations risks destroying the global system based on rules that apply to all. Nonetheless, it makes sense to ask how trade can be fairer and less distorted, especially when an economic superpower like China so consistently flouts and abuses the WTO’s rules.

So if there is a silver lining, it is this: Europeans and especially Germans are now more aware than ever of trade as the basis of their prosperity. New trade deals are being negotiated and they enjoy much broader support. And after years of being politely ignored, Beijing’s abuses of the global system — including a rapidly worsening climate for Western companies — are finally on the table. The next few years will likely be difficult and messy, and the danger of shocks to the global economy from trade tensions is real. But in the end, we may have a global trading system that is just about as free as it is now — and a whole lot fairer.

Beijing has made business more difficult for Western companies

Stefan Theil

is a business journalist and policy analyst based in Berlin. He is a former European economics editor at Newsweek and has published in Foreign Affairs, The Financial Times, Handelsblatt, Die Welt and other publications.
Making America great again through tax reform?

With majority votes in both Houses of Congress, the GOP enabled President Donald Trump to sign into law the Tax Cuts and Jobs Act (TCJA) just before Christmas. This gave Trump the opportunity to deliver on one of his main campaign promises made during the 2016 presidential election.

Some of the taxpayer relief measures are temporary in order to limit the anticipated increase in the federal deficit to under the legal cap of $1.5 trillion over the next 10 years; but two important changes have a permanent effect on US corporations:
- Reduction of the federal tax rate to 21%
- Introduction of a deduction for foreign dividends received

These are major steps to align the US corporate tax system with that of other industrialized OECD countries. Also considering state income tax, the average corporate tax rate is now close to 26% compared with the about 25% of other OECD countries.

In turn, at the point the system changes, all untaxed profits of foreign subsidiaries are subject to a reduced taxation rate on deemed dividends received on the US parent level.

Other changes include formulary approaches to reallocate profits earned by foreign corporations to US parents (GILTI) or to any affiliated US corporation (BEAT). These unilateral rules do not consider an analysis of actual functions and risks. They will increase double taxation and raise a number of legal concerns. Remarkably, the US government thereby overrides transfer pricing principles on the alleged grounds of being treated unfairly by other countries.

It seems paradoxical to apply these measures to German corporations, since any base erosion that may have taken place within US multinational corporations was hardly absorbed by Germany, with its comparatively high tax rate and strict enforcement culture.

On the other hand, certain income received by US companies for the export of goods, IP or services benefits from a reduced tax rate under the preferential FDII program, which also raises concerns under international law.

For the new German government, the outcomes should be twofold:
- Consider the need to improve the tax environment for investments in Germany and reduce the about 30% corporate tax rate (including trade tax) in the country to average international OECD levels.
- Prevent protectionist retaliation measures in Germany and at the EU level.

Engage with the US government at the OECD level in a collaborative approach under common guidelines based on allocation of profits according to actual value creation and risk-bearing in order to avoid double taxation.

CHRISTOF K. LETZGUS, PWC

The new German government should avoid protectionist measures and consider improving the tax environment for investments in Germany.

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Christof Letzgus is an international tax partner at PwC Frankfurt and an active member of AmCham Germany’s Tax Committee.
In addition to US tax reform, his consulting focuses on the tax implications of Brexit and digitalization.
He teaches international corporate tax law at Philipps-University Marburg.

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Photo credit: Christof K. Letzgus/PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Photo credit: lightwise/123rf
Superpower USA vs. superpower EU?

GUEST ARTICLE BY JOCHEN BITTNER AND MARTIN KLINGST, DIE ZEIT

It’s currently fashionable to bid the US farewell and praise the EU to the skies. [On Oct. 27, 2017], our colleagues Jörg Lau and Bernd Ulrich made the case for a post-Atlanticist EU foreign policy (“What’s New in the West,” ZEIT, No. 43/17). The United States of America, they wrote, has forfeited moral, military and political claim to leadership. With the election of Donald Trump, America’s “diseases” have become so all-consuming that rational forces in the US can no longer offset them. This analysis is as reckless as the idea that Europe, and above all Germany, should take the lead in global geopolitics. Let’s be frank: How fit is Europe at the moment?

We, too, believe that the EU needs to develop significantly more global political clout in light of the fact that the US government currently appears to be more of a risk than a guarantor of security. The US is "sick" inasmuch as its political culture is degenerating. Trump’s not just an accidental aberration. But to bury Atlanticism because of this diagnosis is a strange idea of healing. Also, it comes from a continent that is itself in poor health.

The symptom "Donald" stands for contempt for elites, for mistrust in institutions and the system of checks and balances; it stands for a division of society driven by images of an enemy, as well as for the yearning for isolation and protection from the culturally, religiously or ethnically other. But this accurately describes the crisis of the entire West, not just America.

Unlike most European countries, America is a nearly 250-year-old, resilient democracy. It is more brutal and competitive than Europe, yes. But this virility stems from its institutions, and its checks and balances. US states are forming an alliance for climate protection, for example, while cities provide refuge for undocumented immigrants from Latin America. Just recently, the courts overturned Trump’s third attempt to deny citizens of certain Muslim states entry to the US. They also stopped the military from turning down transsexuals. And the Justice Department appointed a special investigator to investigate the president and his entourage.

America’s separation of powers works. And there are quality media that, in contrast to Trump’s charges, are not failing, but rather celebrate new sales and circulation records. Where can you find this in central and eastern Europe today? East of the Elbe River, the Continent lacks a deep
democratic-liberal foundation due to a lack of freedom under and unprocessed experiences with dictatorships.

**Greatest challenge**

The EU does not need to be a classic superpower, Lau and Ulrich say. After all, they argue, one must think of power differently today than the US does: In a more cooperative, partner-like way.

But that will not be enough in a serious conflict. Especially those who want to avoid the use of military power must be able to threaten with it. Europe is far from being able to do this, materially as well as mentally.

The Eurocentrists ignore the greatest challenge. Those who turn their backs on America must be ready to make bigger sacrifices themselves. The EU is quite strong in touting its strengths, but rather weak in acknowledging its weaknesses. This also applies to its core strategic competence: The economy. It is based on preconditions that governments themselves cannot achieve, like the societal readiness to remove trade barriers beyond EU territory. There is no trace of unity in terms of free-trade agreements; the old continent is split over the Ceta treaty with Canada and TTIP with America.

**Adventurous americans**

In addition to racism, the death penalty and the anti-social health system, Lau and Ulrich consider the US’s “elitist education system” to be a symptom of the disease of America-in-decline.

Even if one accepts the thesis that educational opportunities are more equitably distributed in Europe, why does the Old World succeed so much less in transforming scientific power into economic power? Almost all of the groundbreaking inventions of the last decades came from the US: The internet, smartphones, Facebook, YouTube, Netflix, artificial intelligence, attractive electric cars, and tasty craft beer.

Trump did not fall from the sky: His election was a conscious stupidity. If Europe behaves wisely, it can benefit from this stupidity. Already, EU trade with Asia amounts to about $1.6 trillion a year and America's trade with Asia to just $1.1 trillion. If the EU joins forces with China to become the new champion of protectionism and modern climate protection technology, America will continue to fall behind.

There is nothing to romanticize about the transatlantic relationship, but rather a lot to repair. And because the American propensity toward excess is currently increasing rather than decreasing, Europe must be a stronger counterweight. But this new strength must unfold in a partnership with America, not outside of it. Because before Europe is where our colleagues already see it, Trump will long have been history.
The Transatlantic Business Barometer, a study on the perceptions of Germany and the US as investment locations, was released for the first time in spring 2018. This year’s study, jointly conducted by AmCham Germany and Roland Berger, expanded on the Chamber’s 15 years of collecting data from US companies in Germany to include insights from German investors in the US.

Overall, the German and US economies have shown continual growth and the general outlook is positive. Eighty percent of German investors in the US expect revenues to rise in 2018, and 82% of US companies that have invested in Germany anticipate a similar increase. The perspective for the coming three to four years is equally promising: 70% of German companies in the US plan to expand their activities, nearly matched by the 61% of US companies in Germany intending to do the same.

A more detailed assessment of investment conditions did, however, reveal differences between the two locations. The biggest locational advantage for Germany is its highly qualified workforce, while the US is valued for its potential as a sales market. Conversely, labor and energy costs receive the poorest grades in Germany, and the reliability of the political climate is seen as the biggest challenge in the US.

Big difference between digital and general infrastructure in Germany

The Transatlantic Business Barometer also provides insights into digital infrastructure and the governmental policies necessary for start-ups and entrepreneurship to thrive. Here, more than half the German companies give the US “good” or “very good” marks, whereas US companies in Germany still see the need for improvement in these areas: Less than one-third assess both the digital infrastructure and start-up environment in Germany as “good” or “very good.” On the other hand, Germany’s general infrastructure is rated much higher: 81% compared to 46% in the US.

For more information
Daniel Hawk
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This Transatlantic Business Barometer draws from the results of a survey conducted in Feb. 2018 among 45 German companies in the US and 39 US companies in Germany. To access all the results of the study, please visit our website: www.amcham.de/publications
US companies in Germany

1. US COMPANIES EXPECT A PROMISING 2018
How will your revenue, number of employees and investments develop in 2018? [%]

Revenue
- Increase: 82
- Consistent: 13
- Decrease: 5

2. US COMPANIES PLAN ON EXPANDING THEIR ACTIVITIES
Will you expand, maintain or reduce your activities in Germany over the next three to four years?

Plan on expanding their activities: 61%

3. GREAT QUALITY, BUT HIGH COSTS
How would you rate the following location conditions of Germany as an investment location? [%]

<table>
<thead>
<tr>
<th>Condition</th>
<th>Very good/good</th>
<th>Neutral</th>
<th>Less good/bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of infrastructure (transportation, energy, etc.)</td>
<td>81</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Quality of digital infrastructure</td>
<td>47</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Startup environment and entrepreneurship</td>
<td>41</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>63</td>
<td>31</td>
<td>8</td>
</tr>
<tr>
<td>Energy costs</td>
<td>36</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>Labor costs</td>
<td>58</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

German companies in the US

1. POSITIVE EXPECTATIONS FOR 2018
How will your revenue, number of employees and investments develop in 2018? [%]

Revenue
- Increase: 80
- Consistent: 9
- Decrease: 11

2. GERMAN COMPANIES ARE INVESTING MORE IN THE US MARKET
Will you expand, maintain or reduce your activities in the US over the next three to four years?

Plan on expanding their activities: 70%

3. HIGH INCENTIVES, BUT CHALLENGING POLITICAL SITUATION
How would you rate the following location conditions of the US as an investment location? [%]

<table>
<thead>
<tr>
<th>Condition</th>
<th>Very good/good</th>
<th>Neutral</th>
<th>Less good/bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup environment and entrepreneurship</td>
<td>69</td>
<td>26</td>
<td>5</td>
</tr>
<tr>
<td>Quality of digital infrastructure</td>
<td>61</td>
<td>31</td>
<td>8</td>
</tr>
<tr>
<td>Quality of infrastructure (transportation, energy, etc.)</td>
<td>46</td>
<td>31</td>
<td>23</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>71</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Energy costs</td>
<td>46</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Labor costs</td>
<td>31</td>
<td>51</td>
<td>18</td>
</tr>
</tbody>
</table>

-commerce germany 1/2018
Will the US allow NAFTA negotiations to fail?

GUEST ARTICLE
BY DR. BEREND DIEKMANN

About the author:
Dr. Berend Diekmann is currently Head of Division, US, Canada and Mexico, in the German Ministry of Economic Affairs and Energy, responsible inter alia for Transatlantic trade issues, CETA, trade negotiations with Mexico and current topics in transatlantic economic relations. Until late 2014, he was also responsible for external economic policy and OECD.

He holds a master’s of economics from Kiel University and a PhD in economics from Mainz University. He has published diverse articles on public finance and fiscal federalism; EU financing; the policy of international organizations such as the IMF, WTO, World Bank and UNCTAD; international trade issues; and current challenges for the US economy.
US trade policy is currently undergoing a significant course correction. Negotiations aimed at modernizing the North American Free Trade Agreement (NAFTA) have especially highlighted this trend. The agreement went into effect in 1994 but is currently under fire, despite its impressive track record. An intense battle over NAFTA’s advantages and disadvantages as well as the agreement’s winners and losers has developed, particularly in the US. The discussion grew even more heated during the presidential candidacy and inauguration of Donald Trump. Throughout his campaign, Trump had underscored his intention to cancel the agreement. Overshadowed by this, negotiations for modernizing the trade agreement have been underway since August 2017. The political calendars in Mexico and the US suggest negotiations could continue throughout the rest of 2018.

All those involved acknowledge the need to modernize a trade agreement that was negotiated nearly 30 years ago; however, the position the US government has taken over the course of negotiations has been very protectionist. The focus has been on the overarching goal of reducing the trade deficit with Mexico. Making production in Mexico a less attractive alternative and changing previous supply chains (“reshoring”) are measures aimed at achieving this goal, with the US striving for stricter rules of origin — especially in the automobile industry. In one reflection of this, the US is calling for an increase in NAFTA’s already comparably high minimum value content for vehicles. Currently, 62.5% of a vehicle’s content must originate from NAFTA for the vehicle to qualify for duty-free treatment; the US now wants to see this level rise to more than 80%. The US also wants to augment this by implementing a US-sourced 50% minimum value content.

Demanding a standard for US-sourced parts as a prerequisite for duty-free access within a free-trade zone stands in stark opposition to the original idea behind a free-trade area. After all, a key concept behind such an agreement is that all participants commit to duty-free trade with one another, provided it can be proved a certain share of value added is generated within the free-trade zone as a whole. The US proposal not only would essentially destroy the automotive industry’s established value-added chain in the NAFTA region, it also abandons the fundamental idea behind a regional free-trade agreement.

Additional US demands include stipulating a sunset clause, which would lead to automatic termination of the agreement every five years if all partners do not actively agree to an extension. Furthermore, the US is calling for Mexico and Canada’s access to the US procurement market to be limited to the combined volume of the procurement markets in Mexico and Canada that are open to US companies.

Opposing interests and proposals are a common starting point for all negotiations. The US proposals create a hurdle for trade agreements such as NAFTA. After all, they stand in contrast to long-term, reliable trade relations while undermining the principles of duty-free trade in a regional free-trade zone.

The high level of integration achieved over the 24 years of NAFTA’s existence means the economic costs resulting from an end to NAFTA would be extremely high for all three countries. Sober consideration implies the US would not allow the situation to reach that point.

Even after six rounds of negotiations, it remains unclear whether and how NAFTA will be continued

The highly negative symbolism NAFTA carries among some parts of the general public in the US, however, means it can’t be entirely ruled out that NAFTA could fail — despite all the rational considerations and the economic disadvantages its demise would bring.

Even after six rounds of negotiations, it remains unclear whether and how NAFTA will be continued. There’s no agreement in sight, particularly regarding the contentious issue of origin rules. Terminating the free-trade agreement would, however, have grave consequences. Transnational supply and production chains would dissolve, presumably leading to a massive impact on international trade flows. A diminished competitive advantage for the US export industry could ultimately lead to the opposite of what the US government is attempting to achieve — increasing instead of decreasing the country’s trade deficits with the rest of the world.
Political voices from Germany:

What is on the new German federal government's transatlantic agenda?

Transatlantic relations are still a matter of exceptional importance and too important to be left to governments alone. Both sides have to be reliable partners in foreign and security policies as well as trade policy and the common fight against climate change. Therefore, we have to intensify and strengthen our dialogue not only with the US administration but also with Congress, individual states and municipalities.

Niels Annen, SPD
Member of the German Parliament
Spokesperson on Foreign Affairs of the SPD Parliamentary Group in the Bundestag

Our recently negotiated coalition treaty clearly acknowledges the fundamental importance of the transatlantic alliance. We have to animate our long-established friendship through new projects of common interest — like an ambitious and fair free-trade agreement or the implementation of the Paris Climate Agreement. Regrettably, these and other projects are on hold at the moment.

Jürgen Hardt, CDU
Member of the German Parliament and Co-Coordinator of Transatlantic Cooperation of the CDU/CSU Parliamentary Group
How can the transatlantic partnership be strengthened, and why is it so important?

“Only 7% of SPD supporters have trust in the transatlantic partnership under Trump. For me, turning away is not an option. What we need is a consistent America strategy with realistic, short-term policies for the Trump administration. At the same time, the strategy must outline a possible future for a transatlantic partnership that’s not based on one person’s tweets, but rather on our common values, which have put individual freedoms at the center of society.”

Kevin Kühnert, Jusos Deutschland
Head of Young Socialists, youth wing of the German Social Democrats (SPD)

“The United States of America is economically and politically Europe’s most important partner. This good relationship is based on dialogue and compromise. To strengthen our partnership, Europe will have to take on more responsibility in NATO, and the US has to respect our shared tradition of free trade — this will fuel growth on both sides and ensure a strong common future.”

Paul Ziemiak, Junge Union Deutschland
Leader of the youth wing of the Christian Democrats (CDU)
Germany and the US are among the leading countries globally when it comes to innovation. Both countries have specific strengths when looking at their respective innovation systems. The US clearly leads in further developing the digital economy and can score with its well-developed venture-capital market as well as a flourishing start-up scene. Germany is known for its highly skilled college-educated and non-college-educated workforce in professions like engineering, manufacturing and the natural sciences. Other assets of the German innovation system are strong networks of publicly funded scientific institutions and companies that effectively collaborate in technology development.

Against this background, AmCham Germany will contribute to further strengthening of the transatlantic innovation agenda through its newly established Innovation and Research Committee (IRC). The Innovation and Research Committee acts as the voice of German and US member companies in the areas of research and development, technology and innovation. The committee closely follows political and regulatory activities in Europe, Germany and the US closely. EU and US policy models for fostering innovation are analyzed, with the goal of identifying and sharing best practices to the benefit of AmCham Germany members.

Among the topics the committee will address are, e.g., transatlantic innovation cooperation, science-based decision making and simplifying funding for R&D. New models for strengthening the entrepreneurial and inventive genius, especially among young people, and proposals for regulatory experimentation spaces for companies to develop promising future technologies will also be high on the agenda.

Openness to research and innovation in society as well as an innovation-stimulating regulatory environment are essential to ensure further growth. With policy proposals, the committee will actively contribute to the political and societal discourse on both sides of the Atlantic and strive to foster innovative products and services.

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The Innovation and Research Committee is the voice of AmCham Germany’s member companies in the fields of research, development, technology and innovation. It aims to strengthen the openness towards research and development and advocates for a reliable regulatory framework, which are the prerequisite for economic growth and the creation of sustainable jobs.

AmCham Germany’s policy committees and expert groups provide for an intensive exchange of information between business representatives and political decisionmakers.

POLICY COMMITTEES

- Policy Coordination Committee
- Aerospace and Defense Committee
- Corporate Responsibility Committee
- Energy and Climate Committee
- Financial Services Committee
- Healthcare and Life Sciences Committee
- Innovation and Research Committee
- Social and Labor Affairs Committee
- Tax Committee
- Telecommunications, Internet and Media Committee
- Trade Committee

EXPERT GROUPS

- Corporate and Business Law Committee
- Entrepreneurship Committee
- International Business Committee
- Mittelstand Committee

Photo credit: Private archive, Bayer AG

**THE INNOVATION AND RESEARCH COMMITTEE**

Philipp Braun
Director
Head Government Affairs, DACH
3M Deutschland GmbH

Stephan Schraff
Head Liaison Office Germany
Bayer AG

BY PHILIPP BRAUN AND STEPHAN SCHRAFF
Strengthening transatlantic ties: AmCham Germany welcomes newly elected Members of Parliament

On March 1, AmCham Germany hosted a transatlantic breakfast in Berlin for the newly elected members of the German Bundestag. At the event, lawmakers learned about the Chamber’s advocacy work, including the priorities and activities of its policy committees specifically Trade; Innovation and Research; Energy and Climate; Healthcare and Life Sciences; and Telecommunications, Internet and Media.

Following a lively question-and-answer session with the Members of Parliament in attendance, AmCham Germany extended an invitation to participants to join them in a profound dialogue regarding transatlantic trade and policy-making crucial to business interests. The event concluded with the participants agreeing to further foster cooperation on salient transatlantic issues in order to jointly promote the transatlantic partnership.

1 - Dr. Jan Boehm, Head of Government & Public Affairs Germany, Deutsche Bank AG
2 - Yasmin Fahimi, Member of the German Parliament, SPD
3 - Dr. Nils Schmid, Member of the German Parliament, SPD; Eveline Metzen, General Manager AmCham Germany; and Stephan Schraff, Head Liaison Office Germany, Bayer AG
4 - Frank Sportolari, President, United Parcel Service Deutschland; Dr. Boehm
In your opinion, what makes Germany such an attractive investment location for US companies?

Germany’s stable economic and political environment with sound public finances, low inflation and business-friendly climate make it an ideal investment location for US companies. Another strong factor is the country’s world-class labor force, which is highly skilled, and its top-notch standards of professional education and training as well as stable labor relations. Furthermore Germany’s state-of-the-art support infrastructure — transport links, logistics, technological connectivity and healthcare — is among the best in Europe.

What opportunities and challenges does the transatlantic relationship currently face?

The transatlantic relationship is benefiting from the strongest economic conditions since the financial crisis. Forecasts point to global economic growth of 4% this year and eurozone growth of 2.3% as well as a continuance of relatively low inflation. These factors all offer opportunities for transatlantic investment to thrive. But there are also challenges on the horizon: inflation is growing, and the prospect of normalizing interest rates looms on the horizon. Uncertainties over international trade policies resulting from Brexit and populist trends in Europe — as seen in the Italian elections — could restrict transatlantic trade.

What is your favorite place in the US or Germany and why?

Vermont has been a part of my life essentially since I was born. Its rural scenery is beautiful all year and offers a real escape from the city.

James von Moltke has been a member of the Deutsche Bank Management Board as well as the bank’s Chief Financial Officer since July 1, 2017. Before von Moltke joined Deutsche Bank, he had served as Treasurer of Citigroup, managing its capital and funding as well as liquidity and interest-rate risk. He is member of the AmCham Germany Board of Directors.
From fried chicken to mindset-change

The interview with Insa Klasing was conducted by Eveline Metzen, AmCham Germany General Manager

Insa Klasing

Insa Klasing is CEO and Co-Founder of TheNextWe. She was CEO of KFC Germany, the restaurant chain opened almost as many new locations within five years as it had done in 40 years before.

Insa, as the German CEO of Kentucky Fried Chicken (KFC) you doubled the size of the fast-food chain. Then last year you founded your own start-up, TheNextWe, a digital coaching company. What made you decide to start again from scratch right in the middle of your career?

Actually you were there when the ball got rolling: It was when we were in Silicon Valley in 2016 with a delegation of the Atlantik-Brücke. I was inspired by just how big people think over there. How they just get on with it and make things happen. And by what you can achieve with digital means. That’s really when I caught the "start-up virus."

Most start their companies while either still at university or at the beginning of their professional lives. They usually haven’t gotten used to the conveniences of being in a company environment. What was it like to come from a corporation with many employees and an ideal infrastructure and then suddenly trade in your corner office in Düsseldorf for a coworking space in Kreuzberg?

With 4,000 employees you can delegate a lot and get plenty done simultaneously. Plus you have a large budget and the occasional “shot” that doesn’t have to be “on target.” Of course, no one ever plans on a project failing, but a large corporation doesn’t cease to exist if this does end up happening. This “corporate abundance” is something I only came
to appreciate in retrospect. In a start-up you’re in a permanent state of scarcity, i.e., you have few resources and correspondingly little time. This results in an entirely different type of intensity that’s both challenging and rewarding at the same time. You also have a greater degree of creative freedom and execute much faster; you’re always experimenting, correcting and learning.

Speaking of why: Why go from fried chicken to mindset-change, the core concept of your start-up? What does the one have to do with the other?

The idea to found TheNextWe and to specialize in mindset-change was in fact born during my time at KFC. In my five years at KFC in Germany, we built nearly as many new restaurants as in the preceding 40-plus years. In the end, what brought about that success was not a new strategy or a new partner, but a shift in our collective thinking. Everyone in Germany is always quick to turn to strategy consultants and set up new processes. But if some of the stakeholders still have reservations, even the best strategy won’t work because it won’t get implemented.

Back then I wished for someone who could have helped me as CEO to quickly transform the prevailing mindset across the entire company. I was in dialogue with my brother, who had already founded a start-up. I asked him how to go about scaling a mindset-change program. “Digitalization” was his answer. And that’s what kicked off our incubation of TheNextWe. Today he is Co-Founder and CTO.

Before you thought of developing your own digital coaching system, you yourself learned how to coach. What exactly did you end up creating? What’s behind TheNextWe?

We developed a 12-week program that enables hundreds of employees to be coached at the same time and at all levels of hierarchy. To do that, we combined management experience with technology and cognitive methods. For the latter we brought in cognitive expert Anke Kaupp as Co-Founder. Together we created an entirely new product out of these three disciplines. Coaching is typically a black box that employees get placed in and you never truly know what the result will be at the end. We’ve made coaching scalable and predictable, and we can demonstrate a clear return on investment.

How exactly does digitalized coaching work?

Each participating employee gets accompanied by his personal coach digitally for 12 weeks. Throughout that time, the coach and employee are in contact over the phone and through chat, which cuts travel costs and time.

During the first month, they focus on working out a goal and on resolving any mental barriers that are in the way. Then they develop an individual action plan for the remaining two months, which aims to anchor a more functional mindset into their daily work until it becomes a matter of habit.

Because we maintain such intensive contact and because communicating through chat is so easy to integrate into everyday work life, we’re sort of a “coach in your pocket” who’s always there.

Because the coaching is digitalized, it likely makes no difference for you whether you’re helping a small-sized business with just a handful of employees or a publicly traded company?

Exactly. It makes no difference whether a company sends us five or 100 employees at any one time. Thanks to our automated processes all of this is entirely manageable. The issues we work on are applicable to all shapes and sizes of companies. We live in a time when digitalization is pushing us to the very edge of our comfort zones, and that’s something that SMEs and publicly traded companies are experiencing alike. Whether it’s topics such as “how do I bring about a mindset-change among my staff?” or “how do I deal with the fear of digitalization?” or that ever-popular topic “agile working” — these pop up in organisations of any size today.

We often accompany managers in the first 100 days of a new job. It’s during this time that the failure rate is particularly high. Support from a coach who isn’t visible but always available on-demand is therefore a valuable investment for companies.
Welcome new members

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Active membership in AmCham Germany to us shows clear commitment to the transatlantic partnership. We see AmCham Germany not only as a facilitator, but as a true catalyst in this area.

Majk Strika
Managing Director, Europe
ARI Fleet Germany GmbH
www.arifleet.de

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At the Pan Am Lounge in Berlin, championing the bond established between the US and Germany during the Cold War era remains at the core of our aims. Our partnership with AmCham Germany is essential to this endeavor.

Natascha Bonnermann
General Manager
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We connect. Numerous events and platforms to expand your network and discuss transatlantic business.

We support. The expert advice and know-how you need to do business in Germany and the US.

We inform. Current information on emerging developments in the transatlantic marketplace.

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Trade in the spotlight

With trade high up on the Trump administration’s agenda for 2018, the timing and topic of this issue of commerce germany couldn’t be more fitting. On many fronts, the US government has taken or is considering taking action — all with a focus on creating more reciprocal trade and establishing a tougher stance against certain market barriers and trading practices.

Whereas free trade is one of our key topics for the year here at AmCham Germany, it’s not the only issue we’re focusing on. In addition to trade, digital transformation and the role of business in globalization round off our three key topics for 2018 — all of which will also be reflected in discussions at our 115th Annual Membership Meeting on April 27, 2018, in Stuttgart.

As always, we look forward to shaping the transatlantic dialogue with you in these areas and more! As of May 1, we will be doing this from a new location in Frankfurt/M: We are moving offices, but only a few buildings down to Börsenplatz 13–15. We’re looking forward to our new workspace and hope to see you there! As part of our new offices, we are creating an open space where we can meet and work together with our members. Stop by and check it out!

Best regards,

Eveline Y. Metzen
AmCham Germany General Manager

In our next issue

- Social Change
- Report on the 115th Annual Membership Meeting 2018 in Stuttgart

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Upcoming event highlights
AmCham Germany

MAY 2 3
AmCham Germany Forum
Carsten Spohr
CEO, Lufthansa
MUNICH
Joint Event
with Chamber of Commerce (IHK)
Stuttgart and the German branch of the International Fiscal Association (IFA)
US tax reform: impact on the economy
STUTTGART

JUNE 6
AmCham Germany Forum
Prof. Johann-Dietrich Wörner
Director General of the European Space Agency
MUNICH

JULY 4
4th of July Celebration
KRONBERG IM TAUNUS

OCTOBER OCT 28 - NOV 2
TIM Delegation Trip
Future of transatlantic digital economy
WASHINGTON DC, SAN FRANCISCO AND SILICON VALLEY

NOVEMBER
22
Thanksgiving Dinner
FRANKFURT/M
29 -30
Transatlantic Business Conference
BERLIN

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