

Transformation at a Crossroads – What Is at Stake in the US Election and How It Affects Europe

By Kira Vinke and Friedrich Opitz

Kamala Harris and Donald Trump offer their voters very different visions for the future of America's industrial development. Under the slogan "foreign policy for the middle class," the Biden administration expanded protective tariffs against China, thereby scoring points in the industrial heart of the country. With the Inflation Reduction Act, Biden made a U-turn on climate policy in the United States while continuing the protectionist economic policy of his predecessor. A second term for Trump would, however, have even more serious consequences for Germany and Europe.

BACKGROUND

The upcoming presidential election in the United States will be crucial for industrial transformation: Will the country remain stuck in the age of fossil industries, or will a renewal be initiated that enables long-term competitiveness? Due to the global drive for decarbonization and technological progress in digitalization and AI, industrial transformation has become an urgent task for governments around the world. The EU set a path for the green transition with its European Green Deal (initially worth approx. 250 billion euros), followed by its Net Zero Industry Act and Critical Raw Materials Act. The total investment amounts to one trillion euros by 2030. In the United States, the Democrats initiated an industrial renewal with the Inflation Reduction Act (IRA), an investment package worth 369 billion euros, as

well as the "CHIPS Act" and the Infrastructure Investment and Jobs Act. The total investment amounts to nearly 1.6 trillion euros and includes large subsidies for electromobility and renewable energies.

In contrast, the Republican Party is trying to protect emission-intensive industries from change. The US industrial heartland – the center of American manufacturing – is where pivotal middle-class constituencies live and work. Because these regions form the backbone of the nation's economy and energy supply, reforms are a sensitive issue for them. Election polls there are often seen as a crucial barometer of public opinion, not least because many industrial centers are in swing states. The importance of the industrial heartland is reflected in the choice of both vice-presidential nominees.

SCENARIOS

TOGETHER WITH EUROPE OR DISRUPTIVE

Regardless of the outcome of the election in November, it can be assumed that both potential administrations will use protectionist measures, such as tariffs, to support their different industrial policies. With President Harris, these would probably be more predictable and aligned with the common interests of the European Union – for example, in relation to the sustainability transformation – and implemented in pursuit of a liberal international order. If Donald Trump wins a second term, the changes could be far more disruptive for Germany and Europe. Then, geopolitical aspects, such as the alliance of values with the EU or Russia's war of aggression against Ukraine, would probably be arbitrary for the

orientation of any industrial policy and the choice of partners related to it. In view of the legal proceedings against the former president, it can also be assumed that private business interests could play an important role.

HARRIS 1.0 AND TIM WALZ

As a senator, Kamala Harris was more ambitious on decarbonization and climate protection than the policies she implemented with the Biden administration. She backed the Green New Deal, a far more ambitious but failed precursor to the IRA. Unlike Joe Biden, she supported a fracking ban in the 2019 election campaign – although she recently revised this position. In the current election cycle, Harris is linking industrial transformation with labor and social justice issues. A potential continuation of the partly protectionist “Bidenomics” could cause competitive distortions that impact the economies of Germany and the European Union. A possible subsidy race would be hard for Germany to win.

How ambitious Harris’s economic policy will be in terms of climate protection also greatly depends on the makeup of the next US Congress. Republicans could achieve majorities in the House of Representatives and/or Senate. If so, this could limit the Democrats’ options for legislative proposals because they would depend on Republican votes. Harris chose the Democrat Tim Walz as her running mate to boost the support for green policies in industrialized regions. He brings experience in dealing with the heartlands to her campaign. It is particularly worth taking a closer look at the vice-presidential candidate in terms of regional economic and industrial policy.

Vignette: Tim Walz

Tim Walz was born in Nebraska in 1964 and grew up in a village of 400 people. This “Small Town America” is characterized by close-knit communities, a

slower pace of life, and more traditional values. “Here you learn to take care of each other,” Walz said in the speech he gave when accepting the vice-presidential nomination. What some disrespectfully call “flyover country” forms the core of Walz’s political identity, which makes him a strong candidate in industrial centers.

As an adult, Walz joined the National Guard, studied to be a teacher, and spent a year in China, among other places, teaching English and learning Mandarin. Back in the United States, he worked as a geography teacher and football coach in Minnesota’s first district. He was then elected to Congress to represent Minnesota in 2006. Walz became the state’s governor in 2019 and was reelected in 2023. During his tenure, Walz has mobilized billions of dollars’ worth of investments to revitalize dilapidated public infrastructure, cut tuition fees, strengthened workers’ rights, and championed climate issues. Based on his many years of working with farmers and entrepreneurs, he is also able to win key allies who have

helped him convince the majority of his constituents of the economic benefits to be gained from the green transformation. In doing so, he set ambitious goals for Minnesota: to have one-fifth of the cars in the state be electrically powered by 2030 and to replace its fossil-powered plants with 100 percent renewable energy by 2040. He also promised the state would be climate neutral by 2050. Walz’s climate policies are supported by higher fuel taxes and income taxes for high earners. These hikes are accompanied by tax cuts for lower income households.

Walz seems to be mindful of foreign policy and willing to compromise on free trade. A recent agricultural agreement between Minnesota and Ukraine’s Chernihiv region testifies to how geopolitical considerations can influence his policy decisions. Bottom line: Walz is a candidate who is locally rooted but globally minded and whose regional authenticity appeals to many undecided voters far from the liberal coasts.

INDUSTRIAL HEARTLANDS

Industrial heartlands are regions that play a central role in a given country’s industrial network. For Germany, these include the Ruhr area and parts of central Germany or Lusatia. In the United States, they describe the so-called Manufacturing Belt, which has also been referred to disparagingly as the “Rust Belt.” It encompasses parts of Wisconsin and Illinois, sites related to tire and automotive manufacturing in Michigan and Ohio, and the steel and coal areas of Pennsylvania. Historically, these regions have benefited from their abundance of natural resources such as coal and ore, innovative entrepreneurs, constant immigration, and hard-working populations – through which they became the engine of economic development.

During the Industrial Revolution, the industrial heartlands experienced considerable growth. As globalization and the rise of service and information industries led to job losses in manufacturing, the heartlands faced economic decline and demographic change. They are now undergoing a third transition toward a green economy. The dependence of these regions on fossil resources and energy intensity poses further challenges. Despite their potential for transformation, they often lack the necessary infrastructure to fully adapt to these changes.

A Look into the Future: The “Renewable Heartland” Under Harris and Walz

Voters in the United States face a diametric choice about how their industrial heartlands will be redeveloped. In the following, we contrast a possible “renewable” heartland with a “fossil” one.

In this scenario, the “renewable heartland” becomes a policy priority for Harris and Walz. Through synergies between semiconductor production and green industries, the region forges a path to a sustainable future while the automotive and/or steel industries reposition themselves there. Meanwhile, the region’s strong university landscape continues to attract young talent. Many of the largest universities in the United States are located there. The main campuses of these universities, as well as many smaller satellite locations, flourish. The Great Lakes – one of the largest freshwater resources in the world – become an integral part of regional hydrogen strategies and revitalized transportation routes. The region’s favorable climatic conditions offer lower risk compared to the so-called Sun Belt and states like Arizona, where, among other things, water shortages and heat call the sustainability of investments into question. Therefore, the region also benefits from an attractive investment profile. Here, it is important for European and German companies to identify synergies in the areas of technology development and foreign trade and to realize medium- and long-term potential.

TRUMP 2.0 AND JD VANCE

In the Trump 2.0 scenario, transformation delays could cause the heartlands to be entrenched in the age of fossil industries. The expansion of protectionist measures would also make market access for German green tech companies more difficult.

“Drill, baby, drill!” is the message heard from Donald Trump and his vice-presidential candidate, JD Vance. They want to exert global energy dominance with hegemonial ambitions. At the Republican National Convention in Wisconsin, Trump proclaimed that he wants to end the “green fraud from Washington, DC” on his first day in office. He will immediately cut subsidies for electric cars and simultaneously impose import duties of 100 or even 200 percent on cars from overseas. “Build in America and only in America” should be the motto of his second term. This would, for example, also affect German car exports to the United States, threatening an essential sales market.

To combat inflation, Vance plans to cut taxes, including reducing the corporate tax rate from 21 to 15 percent. He wants to finance his promises by promoting “liquid gold,” which he believes lies dormant under America’s soil in the form of oil and gas. In doing so, he rejects the scientific consensus that the vast majority of remaining fossil fuel reserves must not be extracted if we are to keep the remaining emissions budget intact.

In the short term, Trump and Vance are banking on the appeal of preserving fossil-fuel America and returning to a supposedly better past. However, this plan is based on a fallacy. In the coming decades, developments in China and Europe – as well as in the economically

strong, democratically governed states on the coasts of the United States – will increase the pressure for transformation in the heartlands.

A departure from Biden’s innovation agenda for industrialized countries would thus mean a delay in the now unstoppable transformation that would be detrimental to the economy. In addition, there would be planning uncertainties that would be economically damaging – especially in the heartlands. The resulting distortion of market processes, the disruption in car manufacturing caused by the withdrawal of subsidy and funding programs, would have negative effects on

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value chains. The biggest competitor of the United States, the People’s Republic of China, could take advantage of this delay and further expand its market dominance in many green technologies – to the renewed detriment of the heartlands and the people there. If the transformation picks up speed globally, there could even be a slump in demand for fossil fuel industries, and investments could become “stranded assets.”

At the global level, a second term for Trump would destabilize traditional security alliances, which would have economic consequences for the heartlands. Since Russia’s war of aggression against Ukraine and the subsequent energy crisis in Europe, security

considerations are playing an increasingly important role in trade issues.

Moreover, the increasing severity and frequency of extreme weather events prevent a return to a time when fossil fuels could be used with reckless abandon while ignoring consequences for the next generation. This also affects international climate policy. A failure of industrial transformation in the United States would lead to global upheavals with partners who are also increasingly experiencing economic downturns due to climate impacts.

at The Ohio State University, one of the “Public Ivies” that rank among the top-performing public institutions of higher learning in the United States. He then prepared for a career on Wall Street by attending the law school of the elite university Yale. After earning his law degree, he returned to his roots, writing his bestseller *Hillbilly Elongy* about the “forgotten Americans” he claims were left behind by globalization and liberal economic policy. The book, which was published in 2016, brought him international attention and eventually helped pave his way into politics.

heartlands. He is committed to the expansion of pipelines and has opened new areas for fracking. Despite his current polarizing campaign, Vance has worked with supposed adversaries repeatedly as a senator representing the heartlands – for example with a progressive like Elizabeth Warren on banking reform. While his election campaign is mobilizing against unionized labor, he is also presenting himself in a more differentiated way in interviews. He justifies his protectionism, among other things, with the injustices of free trade to the detriment of workers in Ohio, Pennsylvania, West Virginia, or eastern Kentucky.

On a global level, a second Trump presidency would destabilize traditional security alliances

During his first term in office, Trump was unable to shake the global consensus on the need to reduce emissions, even by withdrawing from the Paris Agreement. Nevertheless, a second term poses substantial risks. Continued global greenhouse gas emissions have depleted much of the remaining global emissions budget needed to meet the Paris targets – to the point that only a committed approach will keep the targets within reach. Any further delay could have disastrous consequences for the Earth system.

Vignette: JD Vance

James David Vance, known as JD, was born in Middletown, Ohio. The now 39-year-old grew up among the so-called hillbillies in the Appalachian Mountains of eastern Kentucky. Simple (white*) people who built America “with the labor of their hands” and “love of God and country.”

From Appalachia, Vance climbed the steep social ladder into America’s elite. He joined the Marines and studied

In 2022, Vance became a senator representing the state of Ohio. He is supported by Donald Trump, a man whom Vance had called an “American Hitler” years earlier. Yet, Vance’s narratives – in particular his economic policy ideas – increasingly began to coincide with those of Trump. Both men espouse that the ruling elites in Washington, DC, would rather have concluded trade agreements than worry about hard-working Americans while they sent young men like Vance to fight wars in Iraq and Afghanistan. As a banker, Vance invested in green technologies; yet, as a senator, he focused on protecting the coal industry and advocated for more intensive fracking. This made Vance a favorite of the coal and gas lobby, which donated heavily to his Senate campaign.

Accordingly, Vance’s opposition to fossil fuel phase-out targets is central to his energy policy work in Ohio. According to Vance, increased fossil fuel extraction would lead to lower energy prices and economic recovery in the

In terms of foreign policy, Vance now sees Trump’s political approaches as visionary. Because we have arrived in an era of rampant multipolarity, they believe that an opportunistic approach must be taken to foreign policy. Trump’s decision in favor of Vance shows that he is trying to build on the momentum of his “working class populism” of 2016. Yet, Vance’s comments on women’s rights and his regressive abortion policy are poorly received by many undecided female voters in America’s suburbs. Bottom line: Vance is a “heartlands” candidate who prioritizes fossil energy and protectionist industrial policy, potentially at the expense of America’s strategic partners.

The “Fossil Heartland” Under Trump and Vance

In the “fossil heartland” scenario, the delayed decline of fossil fuel industries – for example, in West Virginia or Kentucky – results from a lack of incentives for transformation. This creates significant path dependencies. The path of supposedly least resistance would lead to an economic niche and, in the medium term, to a dead end, while other countries dominate the global market. At the same time, the increasing automation of numerous funding and implementation processes would prevent jobs from returning. Demographic change, already one of the heartlands’

biggest problems, would be further exacerbated. Political polarization will become more extreme; increasing extreme weather events will widen economic inequality. Germany and Europe would lose an important systemic ally in the transformation to a more climate-friendly economy. The markets would be severely restricted by the tariff increases that have already been announced. The renewed arbitrariness would also cause lasting damage in foreign policy because it would make an increasing erosion of the rules-based international order likely.

RECOMMENDATIONS

TRANSFORMATION THROUGH COOPERATION

Heartlands in Germany and the United States are at the forefront of industrial change and are characterized by opportunity. Their economic and social development also points to success stories in the context of structural and political upheaval. After all, these regions are home to population groups that have experienced extensive transformation before. If leveraged, this wisdom can provide valuable insights and guide ongoing changes.

Regardless of whether Harris or Trump is elected to the White House, the United States, Germany, and Europe will benefit from a strong and reliable relationship with one another – not least to implement the common goal of industrial transformation. Even in the event of a Harris administration, uncertainties remain, particularly in terms of the composition of the Senate and the House of Representatives. Accordingly, it is worthwhile for those in government in Berlin to actively focus on the regional and local levels of the United States. They must aim to advance industrial transformation through stronger cooperation and to exert joint pressure on other countries to ultimately ensure global compliance with

the Paris Agreement and, in the process, to strengthen the rules-based order. Shaping necessary change in a way that benefits as many people as possible – and thus also securing a common future as liberal democracies – is a crucial task for the transatlantic alliance.

- Federal and state governments should establish regional partnerships and strengthen city partnerships with industrial centers in the United States. This can allow an exchange of ideas to take place among regions with transformation expertise such as eastern Germany, the mining areas of Lusatia and the Ruhr region, and the Manufacturing Belt of the United States. This should include active engagement with industrial heritage and future prospects to enable a constructive approach that fosters identity and promotes a confident response to the alternative promises of populists.
- Germany should strengthen the engagement of German missions in US states with industrial centers. The German Consulate in Chicago is currently solely responsible for 13 states and 70 million people. Particularly in the states of Wisconsin, Ohio, and Michigan, many Americans have German roots. This could be used as a starting point for public relations work and the joint processing of transformation topics.
- This increased exchange must include vocational students and skilled workers, as well as tradespeople and other economic and service sectors. Similarly, cultural and political exchange in civil society should be increased. Here, extensive new scholarship programs are needed for technical colleges, vocational schools, and other publicly accessible educational institutions. Existing programs such as the Fulbright English Teaching Assistant Program or the Congress-Bundestag Youth Exchange (CBYX) can serve as models here.

- Philanthropic engagement should be further encouraged to find new funding avenues for the above programs in structurally weak areas of the heartlands. Business and politics have overlapping interests here and, together, can help build networks and strengthen this engagement. It could already count as a partial success if, thanks to this exchange, foreign and regional policy could be increasingly thought of together. Such exchange could then be further developed through consultations with citizens, which would enhance public acceptance for change and support innovation in heartland societies.
- Under a President Harris, the Trade and Technology Council (TTC) would probably continue to exist. This would be a suitable forum for regional transformation and cooperation. It would also enable better connections between interstate and interregional levels, for example through expert briefings between the United States and the EU.

The authors are part of the transatlantic dialogue on the “Industrial Heartlands”

<https://www.industrial-heartlands.com/>



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In the memo series “Setting the Transatlantic Course,” DGAP experts analyze possible scenarios for the 2024 US presidential election from various perspectives that include security, trade, geopolitics, and climate foreign policy. They outline the expected consequences for transatlantic relations depending on whether Kamala Harris or Donald Trump is elected and formulate recommendations for Germany and Europe to already begin setting the course for a sustainable partnership.