



**TRANSATLANTIC
DIALOGUE ON THE
INDUSTRIAL
HEARTLANDS**

INDUSTRIAL HEARTLANDS IN THE GREEN TRANSFORMATION

Working Group on Climate, Work and Innovation

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**INDUSTRIAL
HEARTLANDS ARE
BELL WEATHERS
FOR SUCCESSFULLY
SHAPING INBOUND
STRUCTURAL
CHANGE.**




01.

CHALLENGES AND CHANCES

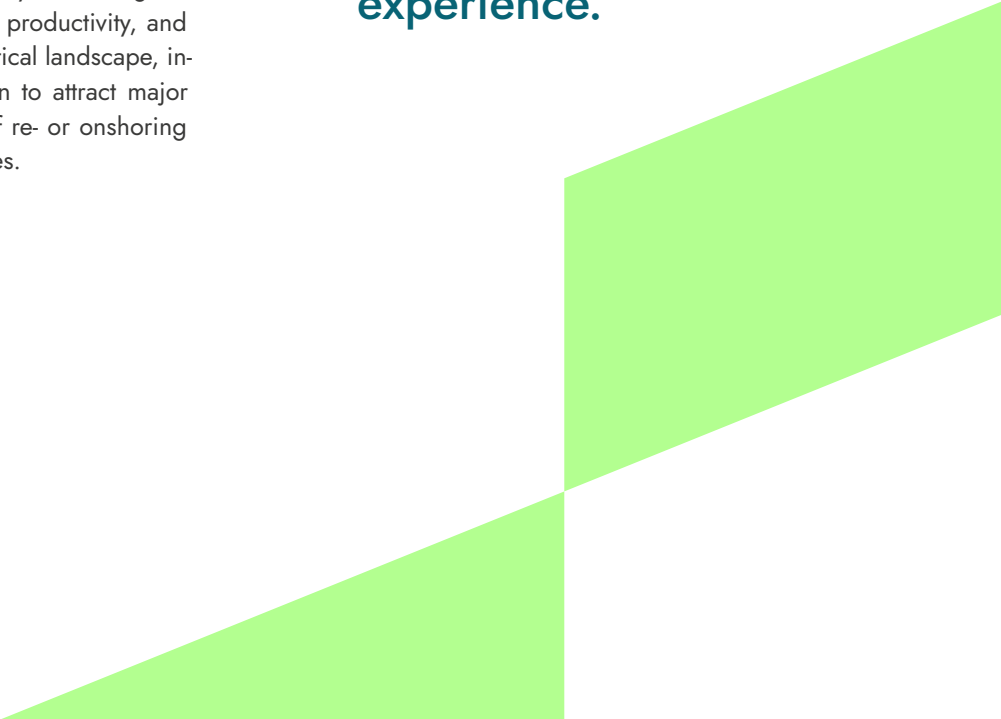
Industrial heartlands on both sides of the Atlantic have been at the forefront of fundamental transformations throughout the past decades, and also show similar contemporary phenomenologies. Specific socioeconomic geographies, from the American Midwest to eastern Germany, are challenged by surging illiberal populist movements. They face severe demographic challenges. They are battle grounds for escalating culture wars and rural-urban divisions. They are characterised by structural economic disadvantages from unfinished transformation, and often citizens express high levels of discontent with democracy. Furthermore, this phenomenology not only affects transatlantic democracies internally, but as observed over the last decade, these areas are strongholds of support for policies that directly affect the global multilateral order and reshape globalisation.

At the same time, industrial heartlands are bell weathers for successfully shaping inbound structural change. Major trends in this transformation include the challenges of climate mitigation and adaptation, digitalization, the future of work, and changing globalisation. Often at the forefront of these changes, industrial heartlands represent landscapes of opportunities. As high-emission industries need innovation or otherwise face a phase-out, governments on both sides of the Atlantic have introduced subsidy schemes like the German Act on Structural Change in Coal Mining Areas or the Inflation Reduction Act in the US. They strive to ignite change and secure future value creation, productivity, and employment. Vis-à-vis a changing geopolitical landscape, industrial heartlands also have begun again to attract major investments, for example in the context of re- or onshoring supply chains like semiconductor industries.

Industrial heartlands are home to populations that hold extensive transformation experience. They could, therefore, contribute valuable lessons in the processes that shape the systemic changes underway. Their populations will not only play decisive roles in the upcoming US presidential and European elections in 2024, but also in the federal elections in Germany in 2025, but also various regions in between, for example in Thuringia, Saxony, or Brandenburg. This is all the more reason to shine a new spotlight on industrial heartlands, and in the following, we provide impulses on how to do so from a climate, work, and innovation perspective. But first—what exactly is an industrial heartland?



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02.

WHAT'S AN INDUSTRIAL HEARTLAND?

A Working Definition

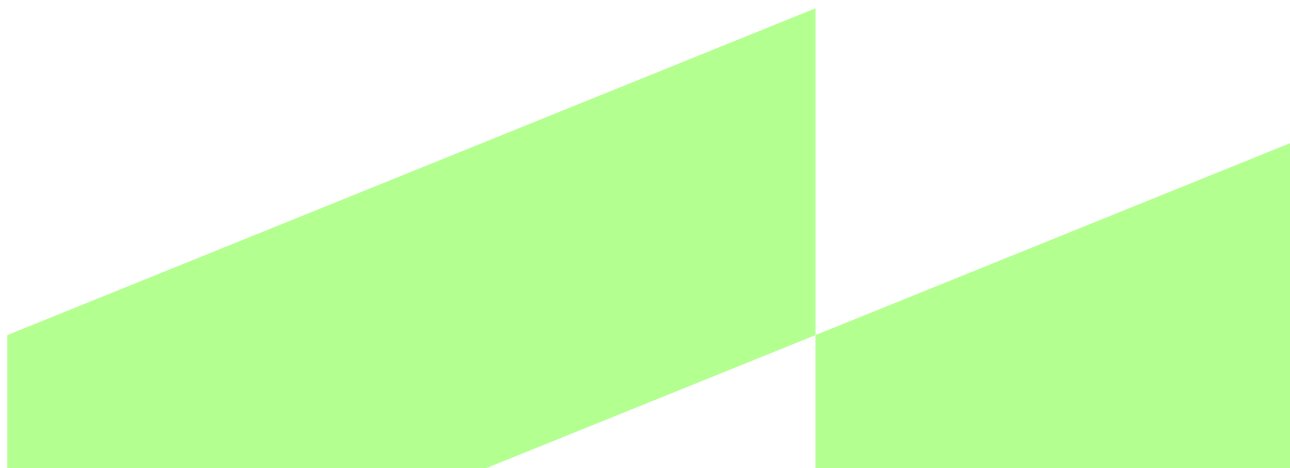
We consider the industrial heartlands as areas within Europe and North America that share (some or all of these) specific characteristics including:

1. employment loss in manufacturing industries;
2. relative economic status decline;
3. jobs and younger demographics shifting to largely new hubs of service and knowledge industries;
4. economic dependency on industries reliant on fossil fuel extraction and processing such as coal mining, oil exploration, and refinery and natural gas use or energy-intensive industries like steel and cement production (which will eventually be required to switch to renewable resources or else be phased-out).

Historically industrial heartlands in the US and Europe signified power houses for western economic development throughout most of the twentieth century. Specific examples that are relevant for our German-American research groups include the Ruhr area, the Saar region and also wider areas in eastern Germany. In the US, specific examples include the Rust Belt, lands under the jurisdiction of Tribal governments, and states such as West Virginia. While each region has a unique history and specific characteristics, there are some common elements that the industrial heartlands share.

Many industrial heartlands are also geographical heartlands without seaports and gained strategic importance because of their natural resources, such as coal and iron ore. Their respective regional identities are shaped heavily by the local industrial structures. Many of these areas held less economic relevance before the Industrial Revolution and developed breathtakingly thereafter, providing a basis for national development. However, alongside intensifying globalisation in the late twentieth century, these heartlands lost many manufacturing jobs to rising economies around the world. Along with these changes came alterations in ways of life, status decline, democratic participation, and demographic changes.

After the Industrial Revolution and globalisation, the industrial heartlands are now undergoing a third transition. The green transformation fundamentally affects, for example, energy-intensive automobile, steel, and chemical sectors. Hence, these areas in the industrial heartlands and their transitions to a greener economy are critical if we are to reduce carbon emissions. While many heartlands hold a wealth of transformative expertise, they often lack institutional infrastructure and opportunities to shape the inbound changes.



Climate

Working Thesis = The transatlantic partnership has been put to a test because of the disregard for European-US relations in the Inflation Reduction Act. However, cooperation between sub-national actors could function as a driver of trust-building on the national level. Knowledge sharing between industrial heartlands could not only improve the transatlantic relationship, but also positively influence climate ambition on a global level by providing a proof of concept for rebalancing economies with natural systems.

The Inflation Reduction Act (IRA) represents a long-awaited shift in domestic US climate policy. With 369 billion USD allocated to support clean energy deployment, green tech innovation and equitable climate resilience, the legislation signalled the beginning of a new era. While European policy makers generally welcomed that the US followed suit in raising their ambition, the IRA also laid out some stumbling blocks for US-European climate-cooperation. Local content requirements in the subsidy schemes put many sectors and particularly the German automotive industry on the edge. Without a free trade agreement, European producers could easily be at a competitive disadvantage.

The European Green Deal had already set ambitious emissions reduction targets in 2020 and the EU utilised its emissions trading system to set economic incentives for greenhouse gas reductions in specific sectors. However, specific industrial policies were still underdeveloped. A process that was fast tracked after the IRA had passed is the European Critical Raw Materials Act which is expected to be adopted in 2023, after the commission had put forward a proposal in March of the same year. The draft act focuses on diversifying the EU's critical raw material supply chains, also with the aim of reducing dependency on China. It should lead to first steps in developing a circular economy and ignite innovation. Critical raw materials are not only relevant for the implementation of the Green Deal, but also for European defence and digital technologies. However, open questions remain around adequate financing for the measures and possible challenges around scalability and efficiency.

Germany, Europe's largest greenhouse gas emitter, has combined its emissions reduction targets with a concrete phase-out plan for coal power. The so-called "Coal Commission" (formally known as the Commission for Growth, Structural Change and Employment"), a government appointed advisory body of industry, science, NGO and political actors, paved the way to a legally binding phase-out. Part of the agreement are regional funds of up to 40 billion Euro for the affected industrial heartlands, to be paid out until 2038.

Additional financing, coming from the European Emissions Trading System and Germany's domestic CO₂ price was earmarked for the "Climate and Transformation Fund". Together with the newly approved money, a total of around 211.8 billion euros will be made available between 2024 and 2027 for climate protection-related purposes. Investments target renewable energies, buildings, electromobility, rail infrastructure and the hydrogen industry. While there is agreement among experts that large public and private investments are needed to stem rapid transformation needs, harmful effects of a potential subsidy race between different countries need to be avoided and rent-seeking behaviour by companies has to be counter-balanced.



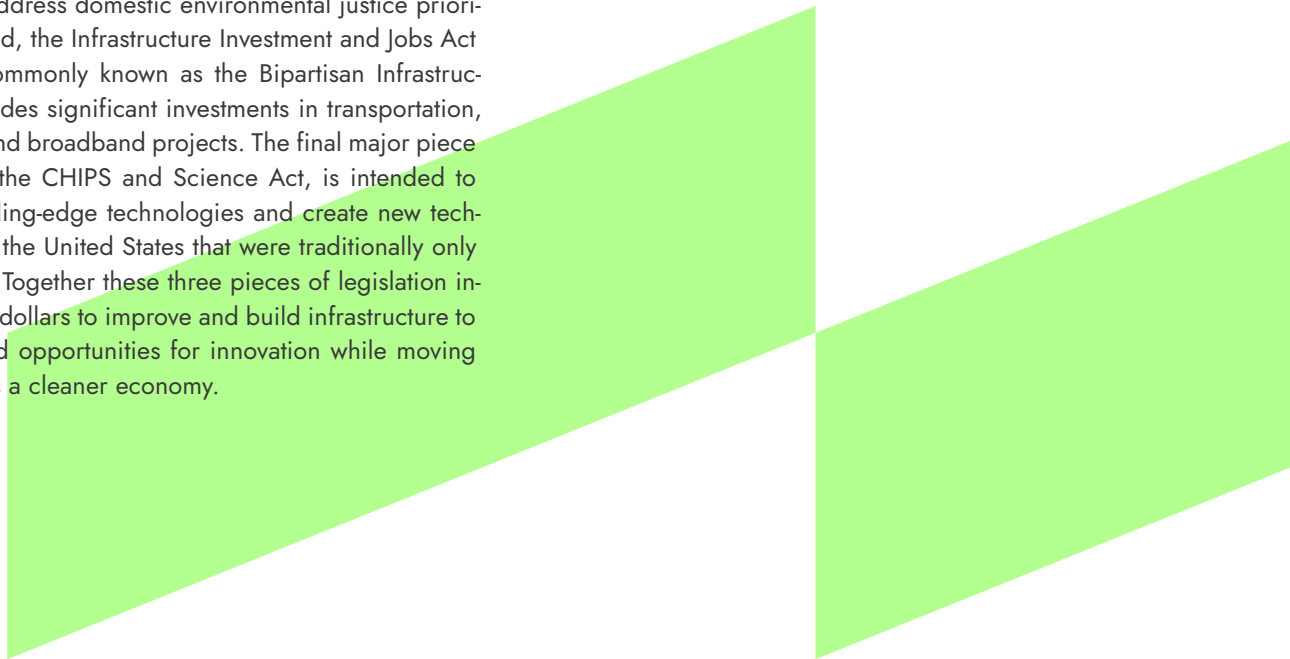
Innovation

Working Thesis = The innovative potential in industrial heartlands is promising if we assess experiences from transformation constructively and learn both from best and failed practices. Innovations on the local level can influence national and even international policies, but often coordination challenges arise. Therefore, the regional level, and in particular the industrial heartlands, could induce cooperation for scaling innovation in the green transformation. Federal and regional governments must recognise their role in addressing barriers for the heartlands and provide informed and customised opportunities for growth to occur.

People from industrial heartlands hold a wealth of transformational experience. Both in the US and in Europe, structural changes throughout recent decades have been shaped by very different approaches to policy in order to curb negative effects and distribute gains – including many trial-and-error initiatives. Those who shouldered their consequences possess both valuable long- to midterm perspectives, and arguably have a very good notion of what might work in the short term to initiate change that enjoys acceptance and support among constituents. We want to learn from them on our journey, as all three perspectives are needed to understand how innovative potentials can be unlocked in the process of administering the necessary transformation towards a cleaner economy.

The 117th United States Congress passed several pieces of legislation that have enormous impacts on the industrial heartlands. The first piece of legislation, the Inflation Reduction Act aims to spur investments in domestic manufacturing capacity and address domestic environmental justice priorities. The second, the Infrastructure Investment and Jobs Act (IIJA), more commonly known as the Bipartisan Infrastructure Law, provides significant investments in transportation, public works and broadband projects. The final major piece of legislation, the CHIPS and Science Act, is intended to jump start leading-edge technologies and create new technology jobs in the United States that were traditionally only found abroad. Together these three pieces of legislation invest billions of dollars to improve and build infrastructure to create jobs and opportunities for innovation while moving the US towards a cleaner economy.

Another vehicle for change, which has been proposed, but not passed by the US legislative branch, is the Resolution Recognizing the duty of the Federal Government to create a Green New Deal, more commonly known as “The Green New Deal”. It is important to note that this is not a piece of federal legislation, but rather a framework that aims to meet 100 percent of US power demand through clean, renewable, and zero emission energy sources; repair and upgrade infrastructure; and spur massive growth in clean manufacturing. The IRA, IIJA and Chips and Science Act are mechanisms in which the US can move closer towards these goals. While there are European efforts underway that aim at similar goals (see climate section), coming up with regionally informed and customised approaches to allocate the budgeted resources from the various legislations must also become a priority for government and policy-oriented research on both sides of the Atlantic. In this context, we will put the NextGenerationEU recovery plan under special scrutiny, as well as Germany’s so-called Wachstumschancengesetz – a legislation to spur growth opportunities.



Work

Working Thesis = Industrial policy and investment are critical for the growth and evolution of transatlantic economies, thus they can benefit from strong labour relations. Within policies and investments, governments must acknowledge the role that labour unions play and the benefits they bring. This is especially true in the industrial heartlands where organised labour has traditionally played a key role in the social and political lives of people and democracies.

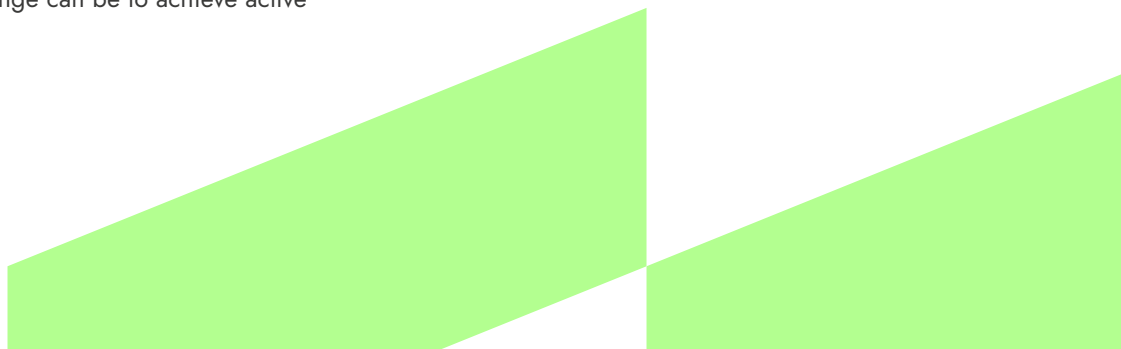
Though their level of support and membership have decreased over the decades, trade unions in the industrial heartlands have accompanied and supported entire generations of workers in the transition from one economy to another. From mining and extractive industries to service, and even artistic trades, unions have and continue to have a positive impact on a region. Unions know about the needs, fears and challenges of communities and play a key role in bringing together business, government and the working class. Therefore, thanks to their transformation knowledge and their role as a mediator, we consider organised labour as a critical driver of a just transformation. The latest strike by US autoworkers shows that even though the share of organised workers has decreased, unions still have incredible bargaining power and can continue to help bring workers from old industry to new industry. For example, For the first time in several years, about 150,000 UAW (United Auto Workers) members went on strike against the “Big Three” American automakers: Ford, General Motors, and Stellantis.

But unions are not only important forces to ensure a just transformation. They are also important advocates for a green transformation. For instance, in 2020, the UAW published its White Paper in support of transitioning to electrically powered cars. Similarly, the German Federation of Trade Unions (DGB) is a critical actor for a just and green transformation in the Lusatia region. They have been organising conferences for almost 20 years to bring together policy-makers, businesses, and workers to discuss not only collective bargaining laws and worker’s participation, but also investment for renewable energies and the hydrogen economy. This then helped to strengthen democracy in the region. Often, however, unions are considered less as mediators and more as troublemakers. Therefore, the question remains how productive exchange can be to achieve active engagement.

Unfortunately, in recent times, support for progressive policies (and parties) has dramatically decreased among unionists and in turn increased for populist solutions (and parties). As a result, and knowing this can be reversed, we must consider unions in the transformative process and understand them as a mechanism to restrengthen democracy within the industrial heartlands. From the beginning, the Biden administration has put a stronger focus on American workers with its narrative on foreign policy and the middle classes, and, in particular, US organised labour. Its domestic and trade policy initiatives target the working class to restore trust in US policy making and democracy. In addition, Biden’s meeting with the UAW President to support their members’ cause aimed to send a clear message that Washington had not forgotten about the heartland.

Similar disenchantment with politics and increasing right-wing populism are also huge challenges for Germany. These phenomena are present in all groups of society, but are highly prevalent among the working class. The DGB together with the German Ministry of Labor and Social Affairs have, therefore, started a joint initiative to strengthen democracy in the workplace and counter racism and conspiracy narratives with offerings for workforces, companies, and vocational schools. However, public support from politicians can be interpreted as lip service and further training is voluntary, leading this to be potentially considered condescending. The challenge remains to engage in democracy communally on a level playing field.

Opposite of collective labour, but with respect to a growing industry, it is important that we also recognise the rise of small business and entrepreneurship. This is a direct result from improved infrastructure like stronger broadband and the rise of e-markets and specialised business. Therefore, during the course of our research, we will recognise unions and their members as a major driver to our goal of strengthening democracy and examine the social and economic impacts unions have on a given area. We will also examine and interview small business owners and remote employees in the attempts to better understand their role in positive transformation.



03.

OUTLOOK

Our Priorities as the Industrial Heartlands Fellows

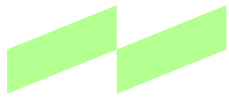
The industrial heartlands in both Germany and the United States are at the forefront of transformation in their respective countries and represent landscapes of opportunities. These areas and their economic and social outcomes also demonstrate the extent of successful structural and policy changes. Finally, industrial heartlands are home to populations that hold extensive transformation experience and could contribute valuable lessons in the processes that shape the systemic changes underway.

Therefore, over the next two years, our priorities will be to identify and analyse governmental policies and programmatic implementations that impact the heartlands' ability to, first, address climate change and its impact on the globe. Second, to be innovative in their goal to increase economic opportunities and create good jobs in the industrial heartlands. Third, we will examine the underlying role that organised labour has in both policy decisions and their implementation. Through the examination of historic and contemporary policies as well as through interviews with critical actors in the heartlands, including, but not limited to, politicians, union members, and business owners, we seek to get a better understanding of the heartlands and their ability to positively impact democracies in the transatlantic space, and around the globe.



THE CLIMATE WORK AND INNOVATIONS WORKING GROUP

The climate, work and innovations working group of the Industrial Heartlands project consists of six fellows from the US and Germany. The fellows are from different sectors working on transformation in governmental agencies, non-governmental relations, academia, and NGOs. The group will build a transatlantic network and discuss challenges of the Industrial Heartlands against the backdrop of three major upcoming elections—the European parliamentary election in June 2024, the US presidential elections in November 2024 and the German Federal Election in September 2025, as well as a number of subregional elections, for example at the state level in Saxony, Thuringia, and Brandenburg.



WORKING GROUP

Climate, Work and Innovation



Nicholas Courtney is a Makah Tribal Citizen and currently works for the U.S. Department of Commerce as a Team Lead for the Tribal Broadband Connectivity Program. Before working for the federal government, Nicholas was the Director of Policy at the National Congress of American Indians (NCAI), the oldest and largest Native non-profit serving the broad interest of Tribal Nations. Nicholas's work contributed to more than \$30 billion in direct funding for Tribal Governments in emergency COVID-19 legislation. Nicholas is encouraged and hopeful that indigenous ways of knowing and being are recognized when thinking of climate solutions and interested in examining the structures of power that continue the oppression and exclusion of minoritized populations from decision making opportunities.



Vera Gohla is a Policy Advisor for Economic and Structural Policy at the Friedrich-Ebert-Foundation. She holds degrees in International Affairs (M. A.) from the Hertie School in Berlin and European Studies and Economics (B. A.) from the University of Osnabrück. Vera has a keen interest in the intersection of industrial policy, regional development, green transition, and the promotion of equal living standards. During her academic and professional journey, she has focused on developing progressive policy solutions to socio-economic challenges, particularly regarding the welfare state and its political economy. Most recently she served as the personal advisor to the chairwoman of the German Social Democratic Party.



Whitney Terrill joined the North Star Chapter as an Environmental Justice Organizer in 2022. In Minnesota, Whitney recently served as the Environmental Justice Program Manager at Minnesota Interfaith Power & Light where she designed, coordinated, and facilitated community-based programming and partnerships for MNIPL and individual faith communities. Her work focused on many topics in the EJ movement from just solar and clean energy, to fossil fuel resistance and clean water, to equitable planning and policy, and interfaith dialogue and racial justice. In her role with the Sierra Club, she works to strengthen and empower communities most impacted by environmental injustices. Whitney's professional experience includes environmental justice advocacy and organizing in Minnesota to serving on leadership committees or board of directors of major environmental nonprofits, including Minnesota Environmental Partnership (Vice Chair, Board of Directors), Cooperative Energy Futures (Treasurer, Board of Directors), Women's Environmental Institute (Board of Directors), Interfaith Power & Light (National Steering Committee, Midwest Representative); City of Hopkins Planning Commissioner, and Minnesota Multifaith Network Steering Committee. Originally from Minneapolis, Minnesota, she received her undergraduate degree from Hampton University (VA) and an executive certificate in conversation and environmental sustainability from Columbia University (NY). Influenced by childhood experiences at Wolf Ridge Environmental Learning Center, Whitney hopes to advocate and collaborate with communities to achieve inclusion of all people in the environmental justice movement in Minnesota.



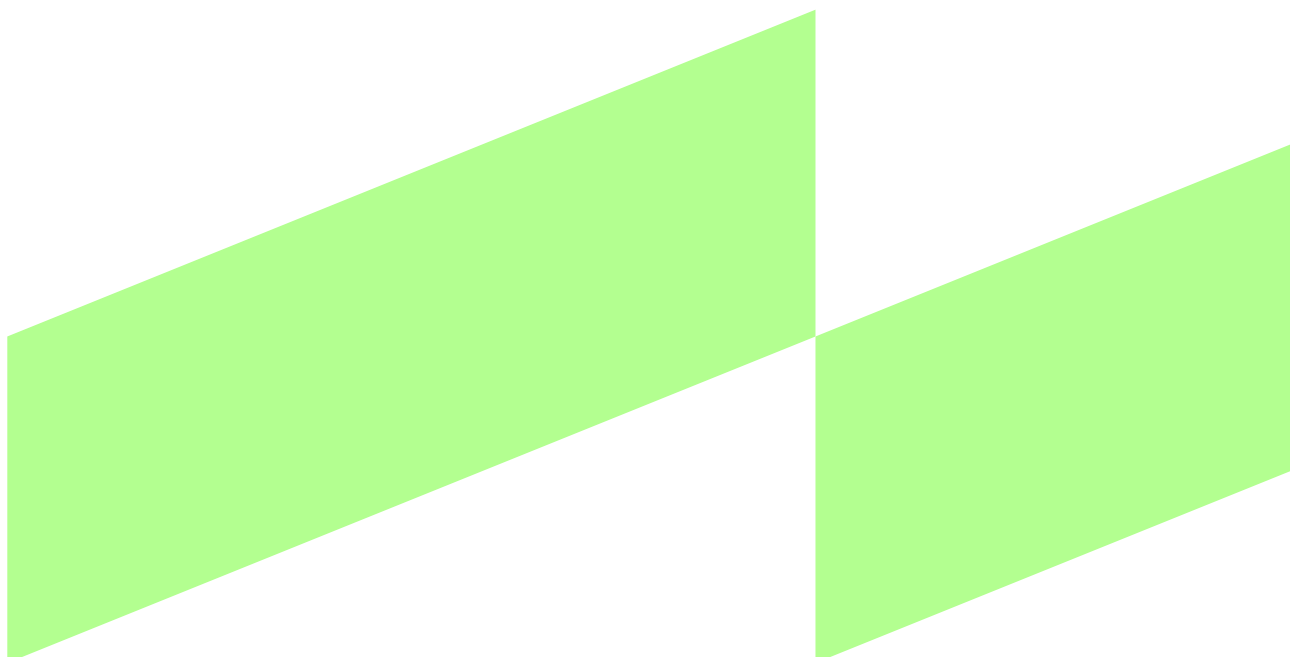
Friedrich Wolfgang Opitz is program director at the German-American Institute Saxony in Leipzig, Germany. On a parallel basis, Friedrich is writing his dissertation on structural change and populism in the American Midwest and Eastern Germany. Between deindustrialization and decarbonization in both regions, he explores material and immaterial experiences of transformation, and what can be learned from the economic changes of past decades for current challenges. Before, Friedrich studied in the US (Ohio University) and France (Sciences Po Strasbourg), and holds a master's degree in international relations with a focus on economics from the Technical University of Dresden. At the Industrial Heartlands Fellowship, Friedrich leads the Climate, Work and Innovation Working Group.



Dr. Kira Vinke is head of the Center for Climate and Foreign Policy at the German Council on Foreign Relations (DGAP). She co-chairs the Advisory Board to the German Federal Government on Civilian Crisis Prevention and Peacebuilding and is affiliated as a guest scientist with the Potsdam Institute for Climate Impact Research (PIK) where she worked before joining DGAP. Her interest in the Industrial Heartlands project are connected to the role of migration in shaping the sustainability transformation in the United States and Germany and the transatlantic perspective on the implementation challenges of green industrial policy.



Dr. Elisabeth Winter Elisabeth's work centers on the politics of international trade. In her role as programme director "Global Markets and Social Justice" at Bundeskanzler-Helmut-Schmidt-Stiftung (BKHS) she researches possibilities for a more equitable global trade governance focusing on transatlantic trade cooperation and its social consequences at national and international levels. Elisabeth graduated recently with a PhD thesis on US geoeconomics from Freie Universität where she teaches international trade and US foreign trade policy. As a project fellow, Elisabeth is interested in connecting transatlantic trade initiatives with the needs of industrial heartlands on both sides of the Atlantic. Acknowledging that global rules on trade affect all of us, she aims to identify concrete measures to do so through a human-centered approach.





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