

TRANSATLANTIC  
DIALOGUE ON THE  
INDUSTRIAL  
HEARTLANDS

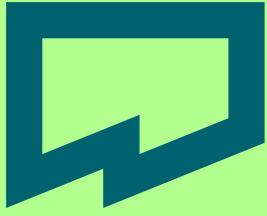


# RENEWAL AMIDST TURMOIL

Industrial Heartlands between Rearmament, Recarbonisation  
and Realignment – Lessons from Germany and the U.S.

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## ABOUT THE INDUSTRIAL HEARTLANDS FELLOWS

The Industrial Heartlands Fellows Working Group on Climate, Work, and Innovation comprises seven young professionals from the United States and Germany. As part of the “Transatlantic Dialogue on the Industrial Heartlands” project, we traveled to the US Midwest as well as West and East Germany over the past 24 months, engaging with numerous organisations and individuals who are deeply involved in shaping the future of industrial heartlands. Our engagements provided valuable insights into the challenges and opportunities in these regions. This policy brief reflects on our findings, and aims to provide actionable recommendations for policymakers and change makers in both the United States and Germany.

This transatlantic initiative underscores the importance of collaborative efforts in addressing contemporary challenges in our societies.



## ABSTRACT

Industrial heartlands in the United States and Germany face overlapping crises of geopolitical tension, economic uncertainty, and technological transformation. Drawing on fieldwork in the American Midwest, the Rhine-Ruhr, and Eastern Germany, this paper examines how these regions navigate three defining dynamics of 2026: *rearmament* driven by Europe's military build-up, looming *recarbonisation* as fossil fuel dependencies are deepened, and political realignment marked by surging populist anti-establishment movements.

We find that successful industrial transformation depends on visible, people-centred benefits delivered through credible local institutions. Policy uncertainty – not change itself – emerges as the primary barrier to renewal. Our recommendations leverage defence investments as regional anchors, maintain green transition commitments as pathways to competitiveness and sovereignty, and strengthen local capacity through infrastructure task forces, modernised apprenticeships, and transatlantic community networks.

These heartlands possess the skilled workforces, legacy infrastructure, and civic assets needed to become innovation engines again. What they require are sustained political commitments, reduced uncertainty, and partnerships that enable them to shape transformation on their own terms.

# INTRODUCTION

Industrial Heartlands in the United States and Germany stand at a historic inflection point. After decades of industrial decline and only partial rejuvenation, these regions confront overlapping challenges of geopolitical tension, economic uncertainty, and technological transformation. Our paper builds on insights from two study trips we did as a fellowship group over the past 24 months. From Erie to Youngstown, from Pittsburgh to Dearborn, and then from Duisburg to Bochum, Cottbus and Görlitz, we examined where policy meets practice across the American Midwest, the Ruhr, and Eastern Germany. We find that successful revival relies on a people-centered transformation. Heartland communities boast rich assets – skilled workforces, legacy infrastructure, and civic pride that can be harnessed to create well-paying jobs in emerging industrial sectors like clean energy, advanced manufacturing, and future technologies. Assessing how transformation principles operate within comparable yet distinct political and

institutional frameworks on both sides of the Atlantic, one commonality stands out: successful transitions depend on visible, people-centered benefits delivered through credible local intermediaries. Communities respond less to abstract growth metrics and more to tangible stability: to secure jobs that preserve identity, projects that visibly improve daily life, and accessible opportunities for reskilling and lifelong learning.

The stakes have risen sharply since 2024. Europe's military buildup, a \$750 billion U.S.-Europe fossil fuel deal, and surging nationalist movements have created new urgency around industrial transformation. From dismantling whole governmental programmes as in the U.S. to backtracking on transformation policies in the EU and Germany, green transition agendas have either been abandoned or face uncertainty. The intersection of rearmament, recarbonisation, and political realignment has created new urgency around industrial transformation. Yet amid this complexity, we believe our central thesis endures: transformation must remain visible, local, and people-centered. Our recommendations therefore address each dynamic directly:

- 1) leveraging defense investments as regional economic anchors;
- 2) maintaining commitment to green transition as the pathway to competitiveness and sovereignty;
- 3) strengthening local capacity while building trans-atlantic community networks that enable progressive realignment.

Policymakers must combine short-term household benefits with long-term industrial renewal. By doing so, they can transform these regions into engines of innovation and sustainable prosperity. Connecting heartland communities across the Atlantic to share strategies will strengthen democratic resilience and help these gains endure beyond national political turbulence in an era of rising geopolitical competition.

## THREE “R’S” OF THIS TRANSATLANTIC MOMENT

In 2026, we find the industrial heartlands of the United States and Germany navigating a period marked by security anxiety, energy strain, and political volatility. Together, these pressures crystallise into three overlapping dynamics shaping the transatlantic landscape: rearmament, recarbonisation, and realignment.

Rearmament defines Europe’s new strategic posture. Russia’s war in Ukraine and doubts about U.S. reliability under the second Trump administration have triggered plans for a large-scale military buildup across the continent. Berlin committed historic sums to the Bundeswehr and reopened debate on conscription, and an additional €500 billion was allocated to the country’s crumbling infrastructure. The 2025 Alaska Trump-Putin summit and Washington’s suggestion that Ukraine may cede territory convinced many Europeans that they must guarantee their own future security. Recent imperialist threats by the US president to buy or conquer Greenland by force have reinforced this understanding and even put into question the future of the transatlantic security partnership.

Looming recarbonisation captures the uneasy trade-off between energy populism, security, and climate ambition. Having lost access to Russian gas, Germany turned sharply to U.S. fossil fuels. By 2025, the United States became Europe’s top supplier of liquefied natural gas and coal – part of a broader \$750 billion energy deal designed to avert a trade war. The American energy dominance agenda risks locking democracies into new dependencies on increasingly autocratic fossil-fuel producers through renewed calls for cheap energy from Russia just as geopolitical rivalry intensifies. The American intervention in Venezuela is another case in point. Recarbonisation – whether through renewed fossil-fuel imports or delayed investment in renewables – threatens to entangle liberal democracies with illiberal energy

suppliers and to erode their strategic autonomy. Recarbonisation also undermines the geoeconomic competitiveness of industrial heartlands – especially regarding their fiercest competitors in China. Regions already struggling with decline now risk falling further behind as innovation slows and opportunities in clean technologies migrate elsewhere. Leaders describe a “dual-track” approach: importing fossil fuels as insurance while accelerating domestic clean power investment. But the balance is fragile, contingent on political will and public trust in regions where high prices and job losses have already strained support for green transition. In fact, it has already tipped in the U.S. Halting already licensed renewable energy projects and dismantling the Inflation Reduction Act do not speak to an agenda serving energy abundance and prosperity, but to the continued dominance of the fossil fuel industry.



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This tension feeds into a broader political realignment visible across both continents. In the American Midwest, former Democratic strongholds swung red in 2024 as voters embraced Trump's economic nationalism. In Germany, the far-right Alternative für Deutschland surged to historic highs and could capture its first state government in 2026. Populist anti-establishment movements on both sides now echo one another's narratives on immigration, trade, and sovereignty – deepening transnational ties from Budapest to Magdeburg to Mar-a-Lago. Yet, the authoritarian realignment also creates new openings. Across the spectrum – from moderate conservatives to progressives – mainstream actors need to reconnect, seeking to strengthen both economic structures and democratic institutions in a future-oriented, non-restorative realignment. The heartlands are uniquely positioned to become places of renewal – where labor, business, and civic actors can form pragmatic coalitions

to move beyond polarisation toward shared progress. While national politics threaten transatlantic relations, cities and regions across the Atlantic are already proving that subnational economic and civic partnerships hold huge potential and can renew these ties. Regional policymakers in Germany and the United States must recognise that heartland revitalisation is central to geo-economic competitiveness and democratic resilience. From innovation districts in Detroit to retraining programs in the Ruhr and Lusatia, a new pragmatic optimism should emerge: that transformation can succeed if it remains grounded in people's needs and develops future perspectives together in the face of rising geopolitical competition and democratic backsliding.



## INSIGHTS FROM GERMANY'S INDUSTRIAL HEARTLANDS

Across Germany's industrial heartlands – from the Ruhr to Lusatia – one message came through clearly: policy uncertainty, not transformation itself, is the biggest barrier to renewal. In the West of Germany, the Ruhr and Rhenish regions once formed the backbone of the industrial economy of the Federal Republic of Germany and were famously described as the "heartbeat of steel." In the East, Lusatia is one of the lignite mining heartlands, which played a similarly important role in the former German Democratic Republic's economic history. In recent years, these industrial regions have faced renewed pressure as they continue an industrial transformation that has been underway since the 1970s. After extensive negotiations involving representatives from trade unions, climate science, industry as well as state and federal officials the so-called "coal compromise" was agreed upon in 2019. It outlined a phase-out of coal-fired power generation until 2038 and dedicated €40 billion in federal funding to support the transition. This much debated compromise holds until today and has been internationally recognised as a milestone for transitioning away from fossil fuels.

At the centre of European climate and industrial policy lie increasingly acute distributional questions. Decarbonisation is broadly accepted as necessary, yet the Russian war of aggression against Ukraine has fundamentally altered the conditions, most notably through the loss of low-cost pipeline gas. CO<sub>2</sub> regulation therefore intersects directly with concerns about jobs, regional economies, and ways of life in areas already shaped by earlier rounds of structural change. Pressure is mounting as the European Emissions Trading System (ETS) tightens its emissions cap, carbon prices rise, and free allowances for energy-intensive, trade-exposed industries are phased out. For example, traditional steel production is under strong structural pressure. As in U.S. industrial heartlands, environmental regulation is often narrated locally as the primary driver of

industrial decline. Our engagement with unions, business representatives, researchers, and policymakers, however, points to a more layered set of pressures: sharply higher energy costs and intensified global competition – particularly from China – as well as persistent bureaucratic and permitting hurdles. Importantly, the looming risk of recarbonisation means that these pressures do not merely coexist but are likely to compound, increasing costs for firms and regions in the medium to long run. These dynamics show that climate policy must do two things to survive: explicitly address its distributional impacts and develop credible transition pathways in partnership with local stakeholders.



**Policy uncertainty, not transformation itself, is the biggest barrier to renewal.**

In the Ruhr, we encountered a broadly positive outlook regarding the region's capacity to adapt. Community leaders emphasised a workforce well positioned for re-training, supported by strong regional identities, innovative higher education institutions, and social infrastructure such as affordable housing and accessible childcare. As an urban region in long-term transition, the Ruhr also benefits from existing assets, including Europe's largest inland port in Duisburg and rail connectivity to China via the modern "Silk Road", which continue to attract investor interest. Long-term planning efforts were described as relatively well aligned across economic and community development. At the same time, local actors identified a weak start-up culture as a key constraint, limiting the emergence of new business models and slowing innovation – standing in contrast to initiatives such as the Youngstown Business Incubator in Ohio, where start-up cultivation has been central to regional renewal.

In Lusatia, by contrast, local leaders highlighted challenges linked to demographic decline and the retention of students and skilled workers in cities such as Cottbus or Görlitz. While funding was not perceived as the main constraint – given significant federal investments, including Deutsche Bahn's new high-speed train maintenance facility in Cottbus that has successfully retrained former lignite workers – long-term infrastructure alignment remains a major barrier. Medium-sized cities have yet to fully benefit from proximity to Berlin or Dresden, as connectivity remains weak and high-speed rail links are absent. As a result, many newcomers commute rather than relocate, which further discourages families and highly skilled workers, including foreigners, from settling locally. Without sustained infrastructure investment in the East, longstanding narratives of uneven development persist, reinforcing feelings of being left behind and complicating the reconciliation of local needs with broader national priorities.

# RECOMMENDATIONS

The contrast between Western and Eastern German heartlands – between established industrial corridors and regions still searching for footholds – highlights a clear throughline: transformation succeeds when uncertainty is reduced, local capacities are strengthened, and communities see near-term, credible pathways to stability. This is a clear connection to our earlier experiences in the American Midwest: For the industrial heartlands to thrive in an increasingly globalised economy, where not all labour will be closely tied to location and where local polarisation is shaped by international influence, decisive action must be taken. Our recommendations address the three dynamics shaping the transatlantic moment – rearmament, recarbonisation, and realignment – through pragmatic interventions that anchor mid- to long-term industrial renewal in local realities.

## I. Responding to Rearmament: Defence Investment as Regional Anchor

Shifting security needs have turned defence production and dual-use innovation into rapidly expanding sectors, creating opportunities for industrial heartlands. Batteries and semiconductors crucial for automotive production are foundational for drone technologies; carbon-fibre structures from wind turbines transfer to aerospace. Policymakers should position regions – particularly in Eastern Germany – as hubs for cross-sectoral innovation, building on land availability, existing industrial bases, and workforce capacities. To make these transitions socially sustainable, defense investments must be paired with robust reskilling programs for workers moving from combustion-engine manufacturing, but only when long-term industrial perspectives are guaranteed. Pittsburgh and southeast Michigan demonstrate how defense and dual-use manufacturing can anchor advanced industries while strengthening innovation ecosystems through university research and regional R&D infrastructure. Community engagement and transparency are essential. Such strategies must be framed as reinforcing democratic stability and shared security, understood holistically: they must accompany economic resilience and social cohesion.

## II. Countering Recarbonisation: Stick to the Plan, not to the Mood

Green transformation – the shift toward energy sovereignty, electrification, and low-carbon industrial processes – remains a credible pathway to reduce dependencies on autocratic fossil-fuel states while remaining competitive. From the American Midwest to Eastern Germany, businesses cite unclear political signalling – not transformation itself – as the primary barrier to investment. Policymakers must provide clear thought-through schedules for electrification and hydrogen roll-out to enable long-term investment and targeted workforce training. In general, it is advisable to avoid importing “Silicon Valley green utopias” into regions like Lusatia and instead, co-design transformation pathways by strengthening local institutional ecosystems. Regional and state-level initiatives show that credible transformation emerges from place-based strategies. To overcome polarisation and counter “recarbonisation” narratives, policy must present sustainability as a credible, local pathway for job security, competitiveness, and energy autonomy.



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### III. Enabling Progressive Realignment: Building Local Capacity and Trans-atlantic Bridges

#### National Infrastructure Investment Task Force: Empowering Municipalities

Industrial transformation is implemented locally, yet from Pittsburgh to Görlitz many municipalities lack planning capacity, fiscal stability, and coordination tools for multi-year transitions. Communal budgets must be strengthened with predictable, multi-year financing for infrastructure, reskilling, and modernisation. In Germany, this means greater federal participation in social spending, larger municipal tax shares, and strict adherence to connectivity principles so mandates are fully funded. Germany should improve multi-level coordination to better align federal, state, and EU funds with local strategies. A key initiative could be to set up a National Infrastructure Investment Task Force composed of planning experts and administrators from different government levels and disciplines. A database, in which policy and infrastructure experts are registered with their respective experiences and competencies, could give local communities an overview of the available capabilities and enable them to compose a team according to their needs. Thereby, policymakers could learn about the difficulties of policy implementation on the ground and municipalities could get expert-level support for the project period without having to build-up expensive new structures. Particularly, the energy and rail needs should support the competitiveness of all parts of Germany, particularly those seeking to still recover from past inequitable investment. Incentivised through mobility bonuses or career advancement, this task force would provide hands-on support – improving planning capacity, guiding applications, teaching project management – without permanently increasing overhead.

#### Workforce and Apprenticeship Modernisation: A Multigenerational Task to Sow Cohesion

Workforce modernisation must be tailored to local cultures, ensuring retraining respects workers' identities and connection to their communities and villages. Heartland communities require career pathways that provide dignity, income, and identity, particularly for mid-career workers transitioning out of fossil-intensive industries. Regional training hubs linking employers, unions, universities, and schools should create identity-driven employment pathways aligned with regional strengths. Modernised apprenticeships offer practical routes to earn while learning, equipping workers with skills for emerging trades without forcing abrupt moves. Workforce initiatives succeed when they offer transparent job pathways and honour industrial traditions and identities. Whether in Germany or the United States, learning and career pathways, including a modern apprenticeship system rooted in community trust, are essential for navigating transformation and strengthening intergenerational cohesion.

#### Transatlantic Community-to-Community Alliances: Funding Civil Society Networks

Local actors seek direct, practical, enduring connections with peers facing similar challenges abroad. The daily work of transformation unfolds locally – retraining workers, securing investment, stabilising trust, coordinating infrastructure. Yet, many institutions operate in isolation and increasingly without the assurance of federal planning in the United States. Given the potential for subnational leadership, we recommend establishing community-to-community alliances linking U.S. regions like Erie, Pittsburgh, and Youngstown with counterparts in the Ruhr area and Eastern Germany. These alliances should involve structured exchanges among city planners, workforce boards, unions, chambers, incubators, vocational schools, and civil society – beyond traditional federal diplomacy. Programs including exchanges and joint fellowships for mid-career public servants, civil society leaders, representatives from trade unions and researchers investigating industrial transformation would create durable channels for cooperation. This supports bottom-up empowerment, counters far right organising advantages, and invests in local workforce professionalisation, enabling heartlands to share strategies and collectively strengthen the democratic fabric underpinning their economic futures.

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## OUTLOOK

The lesson from both sides of the Atlantic is clear: industrial transformation is a marathon, not a sprint – but one that cannot be won without short-term gains that make progress tangible. Our fieldwork across the American Midwest, the Ruhr, and Eastern Germany revealed that communities do not resist change itself; they resist uncertainty, abandonment, and transformation imposed from above. When people see credible pathways to stable employment, when retraining honours their skills and traditions, when infrastructure investments visibly improve daily life, support for long-term structural change becomes possible. The three R's – rearmament, recarbonisation, and realignment – define the current moment of volatility, yet our analysis suggests that there is a path forward. Rearmament creates opportunities for heartlands to anchor new manufacturing in defense and dual-use technologies. Looming recarbonisation underscores the urgency of maintaining clear commitments to green transition – not as a moral imperative alone, but as a viable strategy for energy sovereignty and competitive advantage. And political realignment demands that mainstream actors reconnect with heartland communities through tangible benefits, strengthened local institutions, and transatlantic networks that foster democratic resilience.

The Ruhr, Lusatia, and the Midwest possess the assets needed to become engines of innovation once again: skilled workforces, industrial infrastructure, civic pride, and communities hungry for credible futures. What they need now are the institutions, narratives, and sustained political commitments that allow them to shape transformation on their own terms. The heartlands are not peripheral to democratic renewal – they are central to it. Our travels convinced us that renewal is possible – if local governments invest in people across generations, and build the transatlantic bridges that allow heartlands to face the future together.



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