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NEWS ANALYSIS

Spying Scandal Alters U.S. Ties With Allies and Raises Talk of Policy Shift

By ALISON SMALE and DAVID E. SANGER
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BERLIN — Just as European and American negotiators resumed work on a groundbreaking trade accord meant to tie their two continents closer together, René Obermann, the chief executive of Deutsche Telekom, the German telecommunications giant, told a cybersecurity conference in Germany on Monday that his company was working to keep electronic message traffic from “unnecessarily” crossing the Atlantic, where it could fall into the hands of the National Security Agency.

Other German executives, and some politicians, are beginning to talk of segmenting the Internet, so that they are not reliant on large American firms that by contract or court order allow United States intelligence agencies to delve into their data about phone and Internet usage. Europeans are demanding that any new trade accord include data-privacy protections that the United States is eager to avoid.

Almost never before has a spying scandal — in this case the revelation of the monitoring of the cellphone of Chancellor Angela Merkel of Germany — resulted in such a concrete, commercial backlash. Now it is also driving a debate inside the American government about whether the United States, which has long spied on allies even while nurturing them as partners, may have to change its approach.

“What’s more important?” Gen. Keith B. Alexander, the director of the N.S.A., asked during an interview last month, before the Merkel revelations.

“Partnering with countries may be more important than collecting on them,” he said, especially when it comes to protecting against cyberthreats to the computer networks of the world’s largest economies.

So far the Obama administration has refused to talk publicly about that choice, other than to provide Germany with assurances that now, and in the future, Ms.

Merkel's cellphone conversations will be safe. In the past two weeks, two pairs of senior German officials have visited Washington trying to negotiate a new accord on intelligence sharing that would set ground rules as their government faces its own choice between gently pushing back a protector that has patently played a double game for years, or asserting its power in ways unknown since 1945.

John C. Kornblum, a former American ambassador to Germany, said he "simply cannot imagine" how the United States could target Germans that way "and not end up with egg all over their face."

"It was unbelievably stupid, for no gain," he said.

Over the weekend Senator John McCain, Republican of Arizona, told the German newsmagazine Der Spiegel that "there should be a wholesale housecleaning" of the American intelligence community, and, echoing Mr. Kornblum, said that General Alexander "should resign, or be fired."

The White House has backed General Alexander, who is scheduled to retire early next year, but even some of President Obama's advisers have begun questioning the judgment of the director of national intelligence, James R. Clapper Jr., who is supposed to review the costs and benefits of these operations, and some officials, saying they are speaking for themselves, have suggested he should leave around the time General Alexander does.

"The only way the president is going to get a fresh start with the allies," one of his advisers said last week, "is to present them with a new team."

Germany is now toughening its demands that the United States respect all domestic and international laws — code words for ceasing the surveillance on German soil amid rising anger at the United States. Veteran observers of relations between the two nations suspect that over time the anger will abate, as it has in past spy scandals. But that may not prove to be as easy as the officials hope. Richard N. Haass, the president of the Council on Foreign Relations, who worked on European security issues for Presidents George Bush and George W. Bush, noted recently "the broad drifting away" between Europe and the United States.

For its part, Germany has amassed a different kind of power as Europe's foremost economy. And, as Berlin's bridleing at United States Treasury criticism of its economic policy showed last week, the country is resolute in defending its financial moves.

In addition to power shifts that require adjustments by both countries, each is experiencing a febrile moment politically and governmentally. The United States

appears paralyzed in many ways, while in Germany, the conservative Ms. Merkel is negotiating a new government with the center-left Social Democrats.

The attempt to rein in American activity is turning out to be harder than German officials hoped. The early talk that Germany would get the status accorded to Britain, Canada, Australia and New Zealand — just about full sharing of data, and no-spy agreements — has given way to a much more hardheaded discussion.

Even German officials concede that a full-fledged accord is unlikely — in part because it would require congressional approval — and that negotiations are more likely to yield a memorandum of understanding.

The United States has issued no public exemption from listening in on those in the German political, diplomatic or intelligence hierarchies other than Ms. Merkel.

“The reluctance is that you never know what you may need, in a month, or a year, or 10 years,” one American intelligence official said.

Alison Smale reported from Berlin, and David E. Sanger from Washington.

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