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**Research Report**

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# SWP Comment

NO. 61 DECEMBER 2020

## A New Beginning with President Biden

**Five German and European Priorities for the Transatlantic Agenda**

*Laura von Daniels, Markus Kaim, Ronja Kempin, Kai-Olaf Lang, Marco Overhaus, and Johannes Thimm*

Although Joseph Biden has now been elected 46th president of the United States, transatlantic relations do not automatically revert to their pre-2017 status quo. Too much has changed in the international sphere, too central has great power competition become to the international order. Europe will have to be much more clear than in the past about what it expects from Washington – and what it is prepared to contribute. Berlin and Brussels should work toward a new transatlantic agenda with the Biden administration, with five priorities including joint action against political disinformation and a transatlantic vaccine alliance.

Joseph Biden's victory in the presidential election on 3 November 2020 leaves German and European decision-makers hoping for a normalization of transatlantic relations and a reduction in the number of conflicts between the United States, Germany and other EU states. These are pressing matters, given that the United States will continue to play a central role in guaranteeing Europe's security and prosperity. After Donald Trump plumbed new depths in the European-American relationship, it is time for a new beginning.

### Transatlantic relations in a world of great power rivalries

Germany and Europe face a two-stage challenge here. Firstly, they need to rapidly clarify and prioritize their interests in the policy areas where transatlantic coopera-

tion is relevant. Secondly, rather than waiting for American proposals and initiatives they should approach Washington with offers designed to explore the possibilities of transatlantic cooperation under the new circumstances. The priorities can be subsumed into five policy areas. The objectives laid out below are modest, comparatively uncontroversial on both sides of the Atlantic, and of great urgency for the European Union.

Although the early signs are that President Biden will largely revert to a policy of partnerships and alliances, this will occur in a very different context. Cooperation will likely be subjugated to the strategic rivalry between major global powers or, to put it bluntly: instrumentalized by Washington for its systemic conflict with Beijing. Today the stances of the Democrats and Republicans toward Beijing are almost indistinguishable. During the campaign, Biden



described China as a major geopolitical and technological rival. His trade policy — like his predecessor's — will be judged on whether it generates tangible benefits for Americans in the lower and middle income groups. Biden's election slogans "Buy American" and "Make it in America" suggest that protectionist elements will feature prominently in his economic and trade policy. But he sees the EU as a partner against China on the basis of shared interests and values.

This could potentially lead to a revival of the concept of "the West". In the present geopolitical situation, this threatens to constrain the options open to Germany and the European Union. The Biden administration will likely expect more unambiguous backing from Berlin and Brussels on important issues than has been the case in the past four years. This applies for example to the question of Chinese participation in the development of 5G cellular networks. Greater opportunities for cooperation with Washington would probably mean less latitude vis-à-vis China and higher economic and political costs.

### **President Biden's domestic political constraints**

The "blue wave" that the Democrats hoped would win them the Senate and increase their majority in the House of Representatives failed to materialize. The best they can hope in the Senate for is parity, even if they win the two run-offs in Georgia. Vice President Kamala Harris would then hold the casting vote. In the House of Representatives the Democrats suffered a net loss of seats but retained their majority. President Biden will thus not have a free hand, especially given the possibilities for obstruction available to minorities in the US political system.

The President's domestic and foreign policy options will also be affected by long-term trends that do not fit neatly into one or two terms. Growing political polarization has eroded bipartisanship in Congress, with potentially negative effects on the

legislative work. Especially where majorities are slim it will be difficult to get important legislation passed at all. Trump's good showing, with 74 million votes in 2020 — 11 million more than in 2016 — will do nothing to encourage the Republicans to cooperate.

The Covid-19 pandemic looks set to worsen socioeconomic inequalities and social divisions and further constrict Biden's foreign policy options. In direct terms, pandemic response in all its facets will be the first priority; more broadly, US public support for costly international engagements and alliance obligations has never been unconditional. It has always also rested on a credible political promise to improve social and economic inclusion and equality of opportunities.

The dollar's unique status in the international financial system has historically made borrowing easier for the United States than for other states. But the pandemic now leaves the country with an enormous budget deficit in combination with a historic level of debt. These developments could generate pressure in Congress to return to a balanced budget and reduce the debt. That would narrow the leeway for state spending, not least in foreign, security and defense policy.

### **1. Transatlantic economic policy**

President Biden and Vice President Harris have put forth a socially and ecologically sustainable economic growth strategy to put an end to the proliferation of economic protectionism and nationalism in the US and abroad. Both support working through multilateral institutions and negotiations. This applies especially — but not only — to economic and climate policy. The European Commission has already published a plan for European growth and economic restructuring, the European Green Deal. Not only are there overlaps between the Green Deal and Biden's plans; simultaneous implementation of measures by Washington and Brussels could generate synergies. But if the

transatlantic relationship is to advance a green economic policy, the United States and the European Union will need to achieve greater agreement in three fields: trade policy, energy policy and digital policy.

*Trade policy:* Here the German and European interest is deescalation of the existing trade conflicts with Washington. Europeans would like to see Trump's tariffs on steel and aluminum and other products lifted, allowing the EU Commission to then lift its own retaliatory tariffs. In bilateral trade talks the European Commission could offer the Biden administration new sectoral tariff agreements. Later on, both sides could agree on more regulatory cooperation.

Regarding the unfilled post of director-general at the WTO, the European Commission should approach Biden's economic team and advocate for his future administration to back the candidate with the broadest support, the Nigerian Ngozi Okonjo-Iweala. But most importantly, the system of impartial, two-stage dispute settlement that represents the heart of the WTO system also needs to be reestablished. Modernizing the WTO rules to fit the changing global economy is of great importance to both the United States and the European Union. This applies above all to trade in digital goods and services. Finally, it is also in the EU's interest to negotiate with the United States and China in the WTO framework to develop new rules on state subsidies and better procedures for enforcing them. Brussels should also call on Washington to return to the negotiations on central plurilateral agreements (for example on services and medical goods) within the WTO.

*Energy policy:* Brussels should establish a high-level dialog with the Biden administration to explain why a sovereign and sustainable European energy policy is both necessary and desirable. The discussions should not be restricted to the sanctions imposed by Washington in connection with the Nord Stream 2 gas pipeline. Washington and Brussels need a comprehensive exchange on their respective energy policy

concepts and their compatibility with the Paris Climate Agreement. One option to strengthen the Biden administration vis-à-vis Congress would be for Germany to place a moratorium on the Nord Stream 2 project, because the legislation on which the current sanctions are based was passed with bipartisan majorities in both chambers. Until the Russian-American relationship improves, a relaxation of the measures is unlikely. In this case the German government will achieve more if it sets the immediate self-interest aside.

*Digital policy:* Berlin and Brussels are keen to promote the development of digital enterprises, especially in terms of their innovative capacity and economic contribution, but also to beef up regulation to safeguard European data standards and defend the interests of European businesses and consumers vis-à-vis the digital platforms. The EU should approach the Biden administration to offer a dialog on the future of the digital economy. In this context Brussels should urge Washington to drop the Trump administration's demands for a comprehensive decoupling from China and instead develop a coordinated joint approach to improve the resilience of businesses against Chinese economic aggression. Such a dialog should also offer a forum to discuss data protection standards, competition law, digital platforms and taxation of digital services.

## 2. Action against disinformation

Domestic and foreign disinformation is a growing issue on both sides of the Atlantic. Both Europe and the United States accuse Russia and China in particular of circulating falsehoods in order to influence political decisions and deepen social faultlines. The EU charges both with endangering the health of the European population with "fake news" about Covid-19. Moscow's interference in the 2016 US presidential elections was a wake-up call for Washington.

Although the EU and the United States face the same challenges, they respond

differently. The European Commission and the High Representative of the Union for Foreign Affairs and Security Policy increased their funding for fact-checkers and researchers from June 2020. Brussels also requires online platforms to report the action they take against disinformation campaigns concerning Covid-19 on a monthly basis. The platforms are required to disclose their internal rules and to document cases of misleading information and malign influence, including aspects relating to advertising. Finally, the Commission plans to modernize the legal framework for digital services and online platforms, which is twenty years old. It plans to publish proposals for a package of legislation by the end of 2020.

In the United States regulation of the major platforms was prevented not least by President Trump – who used them to disseminate his own falsities. He also suppressed findings of his own intelligence services concerning Russia's role in American elections. Under growing public pressure in the United States the platforms themselves are currently introducing regulatory elements. Facebook for example recently deleted pages and accounts linked to the QAnon conspiracy theory and is also taking action against Holocaust deniers. Like Twitter before it, Facebook recently chose to place warnings on posts by Donald Trump, adding labels to his statements on Covid-19 and mail-in voting fraud questioning their accuracy and directing users to more reliable sources.

It is safe to assume that the Biden administration will take the phenomenon of disinformation considerably more seriously than its predecessor – not least because the Democrats have largely been on the receiving end. Biden is also likely to be less reticent about naming Russian interference and taking action to stop it. On the other hand it is unclear whether he would risk confrontation with Silicon Valley, where decisive action would have repercussions on lucrative business models.

For all the difficulties involved, closer cooperation between the United States

and Europe in this field would be mutually advantageous. If the two sides are able to between the American and German understandings of freedom of speech and its limits, that could open the door to more balanced solutions that find greater acceptance in the EU member states. Despite occasional setbacks, Europe's efforts to strengthen society's resilience against disinformation, for example through publicly funded media outlets, could also be of interest to the United States. The EU's efforts to regulate US-based internet companies would be a good deal more effective if they enjoyed Washington's support, while uniform rules would benefit the affected firms. In some instances the two sides' regulatory approaches could be complementary, and EU-US technology summit could launch a process of standardizing procedures to counter disinformation.

### 3. A transatlantic vaccine alliance

The first vaccines against the SARS-CoV2 virus are expected to become available in winter 2020/2021. European and American companies will be competing for the profits while states will seek broad and rapid access for their citizens. The pandemic provides a striking illustration of the extent to which health policy can become an instrument of international geopolitics. At the beginning of the crisis countries like China and Turkey gained kudos for supplying protective equipment, while the United States and the European Union drifted apart. One reason for this was Washington's withdrawal from the World Health Organization (WHO). But overt provocations were also involved, to which the EU responded robustly: In March 2020 the Trump Administration attempted to secure exclusive rights to a vaccine developed by a German firm. Treating vaccines as a public good, the Commission launched the Coronavirus Global Response initiative, which numerous third states, organizations and enterprises have joined.

It organized a pledging summit to raise funds to fight the pandemic and its con-

sequences. Contributions totaling almost €16 billion were committed at the summit in June 2020. Funding has gone in the first place to the WHO, as well as state, non-profit and private-sector groups working to develop treatments and vaccines. The Commission has also provided €9.8 billion to enable states in the EU's immediate neighborhood to access Covid-19 vaccines, treatments and tests.

Here the Commission is pursuing three objectives: to strengthen multilateralism, to stabilize the EU's neighborhood and to limit China's influence. Given that all three are also in the interest of the future US administration, they offer an opening for Germany and the EU. Brussels and Washington should establish a transatlantic vaccine alliance at the first possible opportunity. Its purpose would be to secure access to a Covid-19 vaccine for all the world's population. In a second step the two sides should then agree a global health agenda to strengthen health systems in third states and improve their ability to cope with crises. Here it would be advisable to identify and prioritize countries and regions of geopolitical importance for the West.

#### **4. Contain Russia and stabilize the European neighborhood**

Relations with Russia and policies towards the countries of the eastern neighborhood of the EU and NATO will remain a central element of the European-American and German-American relationships. Biden's Russia policy is based on the idea that Moscow is an "adversary" of America, seeking to weaken — if not ultimately to destroy — NATO and the EU. Containing Russian influence will therefore be a guiding principle of his administration — backed, however, by a nuanced understanding of how this containment should be organized and practiced. Firstly, Washington's future Russia policy will in all likelihood be discussed and conducted jointly with the European allies; not merely with a handful of selected partners and within NATO, but potentially

also with the EU. Secondly, the differences on these issues that existed between Trump's White House and actors like the State Department, the Pentagon the US armed forces are likely to diminish, while leaving behind the uncertainty that surrounded Trump's erratic appointment practice will also improve the prospects of continuity and unity. Thirdly, there will no longer be any basis for speculation that a special personal relationship between the American and Russian presidents could lead to a deal to the detriment of Ukraine or other Eastern European states. US policy can thus be expected to become more dependable.

Is unclear, however, to what extent the two vectors of Russia policy present in the Biden camp can be reconciled. On the one hand, the future president underlines the importance of disarmament and arms control. This sends a message that transcends specific issues; the new administration is interested in detente and in dealing cooperatively with Russia (albeit from a position of strength). One important first indication will be the stance the president-elect adopts on the New-START nuclear arms reduction treaty that expires at the beginning of February 2021. In advance of the elections Biden signaled his openness to extending the treaty temporarily to allow negotiations with Russia. On the other hand Biden's advisers also include advocates of a value-based democratization policy for eastern Europe. If this position gains the upper hand, in a context of geopolitical containment, tensions with Russia can be expected to heighten.

There will be openings for Germany and the EU to renew the dialog with Washington or even to achieve deeper cooperation. Although little of substance is likely to change in Washington's policy on Russia and Eastern Europe, the next administration will be more open to working through coordination within (rather than avoidance of) alliances and also in exchange with (rather than opposition to) the EU, and particularly Germany. This should generate clarity on shared interests. Like the United States, Germany and its European partners



are concerned to enhance the security and resilience of the countries that form NATO's eastern flank. In line with a strengthening of transatlantic relations, Berlin is interested in discussing this in the NATO framework, also for the sake of stemming the bilateralisation of security created by Washington's proliferating special relationships with selected partners. At the same time the EU could enter into a structured dialog with Washington on improving resilience in soft security questions. If Biden's administration chooses to pursue arms control with Russia, that would serve Berlin's preference for a dual strategy of deterrence and detente. Germany and the EU are also interesting in advancing free-market and democratic reforms beyond the EU's eastern external border.

In that respect Germany could offer the new administration an enhanced European-American policy on Russia and Eastern Europe, which would include reform and economic dimensions as well as security. Such an offer should encompass meaningful diplomatic activities. The Chancellery and the White House or the foreign ministers could initiate a German-American dialog to explore both sides' strategic objectives in the eastern neighborhood of NATO and the EU, and to foster synergies in existing and future activities in the region.

It would also make sense to establish a working group on infrastructures, with the participation of the foreign and economics ministries of the United States, Germany and selected eastern and south-eastern European countries. Such a forum could discuss transport-related, energy-related and digital infrastructure projects and priorities in the eastern regions of the EU and in its eastern neighborhood, as well as considering how countries in the eastern neighborhood and the Western Balkans can be better connected to the EU's infrastructure networks and where American support offers added value for improving infrastructure resilience. Germany should also offer to contribute more actively to Washington's existing transatlantic energy partnership with countries in the Three Seas Initiative — a cooperation framework between

twelve EU member states bordering the Baltic, the Adriatic and the Black Sea. In this context Germany should step up its support for energy infrastructure development in Eastern Europe — without dropping its longer-term objective of having the Nord Stream 2 sanctions dropped or amended to a point where the project can go ahead. If the German government wishes to preserve Nord Stream 2 it should — alongside renewing its commitment to European energy solidarity — offer to support the Eastern Europeans on energy issues jointly with the United States.

## **5. Iran nuclear deal: return to diplomacy**

During the campaign, Biden offered to rejoin the Iran nuclear deal (JCPOA) if Tehran returns to full compliance itself. Such a move by Washington would acknowledge the significance of multi-lateral agreements and confirm Europe's foreign policy role. European governments should not delay in urging the Biden-administration to undertake a new diplomatic initiative toward Iran. If it does return to the JCPOA, Washington is likely to demand a follow-up agreement covering two sets of problems on which it is in consensus with European capitals. These are the Iranian missile program and Tehran's support for terrorist activities, where its proxies destabilize the neighborhood. However, it would be unrealistic to expect a complete reversal of Iran's regional policy. Tehran will insist on dependable guarantees that Washington lift its sanctions and could demand compensation for the economic harm they have caused.

The change of president permits Europe to return to cooperation with Washington and to shift the focus of its Iran policy away from efforts to save the JCPOA and toward developing a new transatlantic approach to Tehran. Rapidly preparing the ground for direct talks between Iran and the United States must be one component of European policy, also making greater use of diplomatic

channels to Tehran to prepare Iran's return to full implementation of the JCPOA and to underline the need for a follow-up agreement.

Europe should urge Iran and Washington to adopt a graduated approach to ease the transition to talks. The initial objective would be an interim agreement with Iran at least freezing its nuclear activities in return for concrete economic concessions. At the same time, Washington's extraterritorial sanctions would need to be suspended.

## The next steps

These five priorities could form the basis for a European contribution to a new transatlantic agenda. Given that they all lie in Germany's interest, Berlin should grasp the opportunity offered by the final weeks of its Council Presidency and communicate the package to its EU partners. If the European capitals can rapidly coordinate and make any necessary amendments, the European Commission and the European Council could signal their interest in cooperation before Biden's inauguration on 20 January. The Commission and the Council are key: If Europe is to speak with a single voice on foreign policy, it does not want to see a parade of national politicians making uncoordinated overtures to Washington.

The next step would be to think about creating a better institutional structure for the dialog between the United States and the European Union, complementary to NATO. The EU's ways and means for actively shaping the future relationship with Washington are comparatively underdeveloped. Permanent and issue-specific dialog formats corresponding to the portfolios of the EU Commissioners should form the basis of the new transatlantic agenda.

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