FOREWORD DECEMBER EDITION

With the end of the year around the corner, much of humanity’s hopes to return to some kind of normal in 2021 lie with the COVID-19 vaccines in development. While other countries have already started vaccinating their populations, there are currently no authorized vaccines for COVID-19 in the European Union. With a €500 million contribution to the COVAX Facility, EU leaders are hopeful that a safe and efficient vaccine will be available by spring in order to kick start both the European and global recovery.

The second wave of the pandemic hit hard in Central Europe, in particular in Czechia, but also in Poland and Slovakia when compared to the figures back in spring. Additional restrictive measures were put in place to flatten the curve and to ensure that the health systems will be able to cope with an increasing number of cases. Compared to the situation during the first wave, countries in Central Europe had the necessary stockpiles of protective equipment to be able to cope with a challenging environment. Slovakia has also carried out mass testing of its population, in order to identify hot-spots and better apply targeted measures to limit the spread.

Since April, GLOBSEC Intelligence Briefing aimed to aid leaders, decision-makers, businesses to better understand how Central European countries are impacted by and respond to the COVID-19 global outbreak. It also tackles other regional developments with broader geopolitical implications.

The current December issue covers critical political, economic and social events that took place since September. We hope you enjoy reading this edition and we wish you Safe Happy Holidays!

MAJOR RISKS

In September’s edition we highlighted three major risks to be closely monitored: a) the impact and uncertainty around the second wave of the pandemic; b) the economic consequences of a potential second lockdown; and c) the possible blocking of the EU Budget and the recovery funds by Poland and Hungary.

For this edition, we aim to draw attention to the following major risks:

a. The social fatigue with COVID-19 related restrictions will determine people to travel more and interact with a large number of people during the holiday period, which might cause a worrying spike in the number of infections in the beginning of 2021.

b. The anti-vax disinformation narratives and distrust in both science and governments might jeopardize the efforts of getting mass-immunization and help start our global recovery.

c. The delay in approving the EU Budget and the recovery funds will create additional pressure on countries and governments that have been hit hard economically and where unemployment rates are rising to unprecedented levels.

THE DECEMBER INTELLIGENCE BRIEFING EDITION COVERS:

- Political Outlook for CEE
- Economic Outlook
- Democracy and Resilience
- The Green Agenda
- The Digital Agenda
- Defence and Security

Edited by Alexandra Martín, Head of Brussels Office and Santiago de la Presilla, Policy Assistant Brussels Office.

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COVID-19 AT A GLANCE IN CENTRAL EUROPE

COVID-19 STATISTICS

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*Data from December 9, 2020 (ECDC)*

POLITICAL OUTLOOK

SLOVAKIA

Slovak foreign policy officials were disappointed by the decision made by Poland and Hungary to veto the next Multiannual Financial Framework and Recovery Package. While Minister Ivan Korčok stressed that this is not the end of the negotiations, from the Slovak side, he cannot foresee a new European budget without some form of conditionality to the rule of law. State secretary Martin Klus added blocking the much-needed recovery funds is “the last thing we need” at a time when states are already burdened by health, social, and economic crises due to the COVID-19 pandemic. Significantly, Slovakia has been distancing itself from the V4 brand – which is not usual – on the rule of law issues. The government continues to insist that the rule of law represents a basic European value that cannot be circumvented.

Recently, Slovakia sent new ambassadors to key postings. The new head of the Permanent Delegation to NATO in Brussels will be Peter Bator, who previously served as Foreign Policy Advisor to the former and current president. The previous Permanent Representative, Radovan Javorčík, will head to Washington DC to become the new Slovak Ambassador to the United States. The former Defence State Secretary, Robert Ondrejcsák, will be the Ambassador to the United Kingdom; and, after finishing his term in London, Lubomír Rehák will be heading to Moscow. In the meantime, former State Secretary for European Affairs František Růžička has become the Permanent Representative to the OECD. Each posting is in a strategically important location, and the previous experience of the chosen officials signals the government’s intent to have constructive relations with the respective countries and organisations.

The first mass testing with antigen tests in Slovakia proved to be successful. It identified the regional and local hotspots, allowing the government to avoid a strict lockdown. Slovakia paved the way for other countries to initiate such a country-wide effort and possibly setting up infrastructure for the upcoming vaccination process. Since Slovakia’s exercise, Austria has been in preparations to test a large portion of its population, while UK cities such as Liverpool, have also taken up the task. In Czechia, hit hard in October/November, voluntary countrywide testing will be initiated before Christmas. The Slovak government has pushed for another round of mass testing, but has faced opposition within its coalition. Thus far, it appears the next countrywide testing will not occur in the same fashion as the first round. Instead, more mobile testing stations will be open for citizens to get tested on a voluntary basis.

CZECHIA

Similar to Slovakia, Czechia has endorsed the EU rule of law mechanism linked to the EU’s budget and the COVID-19 recovery plan. Even though V4 governments often speak with one voice, this time Czech Foreign Minister Tomáš Petříček said “the situation shows that we cannot always agree with our partners in the V4.” Czechia accepts the compromise achieved by the German Presidency of the EU Council and hopes the dispute will not delay payments to individual member states. The foreign minister also emphasized that the EU is not about transactions, but about values and principles, including the rule of law.

On the pandemic front, the second wave hit more brutally than the first. The pandemic is also taking a heavy toll on Czech health ministers. The country has had three health ministers in six weeks. Ján Blatný has now replaced Roman Prymula, who was forced to resign after breaking his own lockdown restrictions.
In October, Czechia had the highest rate of COVID-19 infections in Europe and one of the highest in the world. The country was hitting daily records of 15,000 cases, with a death toll of over 2,500 in October. In an effort to keep the country’s struggling health system running, the government asked the World Health Organisation for emergency assistance, as hospitals grappled with the second wave. The WHO deployed an emergency medical team in October. The situation improved in November with COVID-19 infections and deaths decreasing.

**POLAND**

Two topics currently dominate political discussions in Poland: first is the Polish blocking of the next EU budget and the Recovery Mechanism, and second is the ongoing protest against tightening the abortion laws. As a consequence, support for the ruling Law and Justice Party is shrinking. They are now polling at less than 30% (more here).

Poland, together with Hungary, has recently threatened to block the next EU budget and the recovery fund as it disagrees with a conditionality mechanism that links EU funding to the rule of law. At the end of November, the two countries signed a joint declaration on their negotiation position, which states that neither side will accept any proposal that is “deemed unacceptable by the other.” In addition, during his latest speech in Parliament, Prime Minister Morawiecki defended the budgetary veto and railed against “arbitrary decisions” by “eurocrats” and “the European oligarchy.” It is still uncertain what official position Poland will take during the European Council on 10 December after being given an ultimatum to lift their veto. It’s clear that while Poland pays special attention to the next Multiannual Financial Framework, it does not deem the Recovery Mechanism to be equally essential for its economy. In this sense, Warsaw questions the principle of joint EU borrowing and stresses its vision for the EU as a loose confederation of nation states and not a federalist project. At the time of writing (10 December, 8 AM), it looks like Poland will not use a veto as only one out of three coalition leaders (Zbigniew Ziobro) favours a Polish veto.

In October, a decision from Poland’s constitutional tribunal revoked a consensus ruling made in the 90s and now banned abortion for non-viable pregnancies. The ruling has provoked nationwide protests, after which Poland’s right-wing government has decided to delay the court’s ruling. Nevertheless, protests in Poland continue. Furthermore, the demonstrations for the protection of human rights (and women’s right to decide) have expanded into broader anti-government protests. The newly formed women’s strike advisory council is pushing for less Church involvement in the matter and the resignation of the controversial minister of education. The government response included sending undercover officers to demonstrations and the investigation of university professors who took part in the peaceful protests.

**HUNGARY**

Alongside Poland, Hungary has blocked the EU Budget and the recovery plan. At home, Prime Minister Orbán linked his veto to his opposition to migration, as he claimed the law mechanism attached to the budget is a “political and ideological weapon” aimed against countries opposing migration. With ongoing investigations concerning the level of independence of Hungary’s media, courts, academic freedom and non-governmental organisations, it remains the task of the German EU Council Presidency to end the deadlock.

Following the COVID-19 crisis and the emerging of a ‘new world order’, as deemed by Foreign Minister Szijjártó, Hungary opened a new Crisis Management Centre of the Information Office (IH). It’s the second intelligence centre introduced in six months. With an increase of cyberattacks by 30% in the first half of 2020, the €4.1 million centre was denoted as a good investment in modern intelligence services and the overall development of the sector.

Hungarian Foreign Minister Szijjártó announced the country’s intention to test the Russian COVID-19 vaccine Sputnik V. Hungary has become the first (and only) country in the European Union to receive samples of the vaccine, despite it not being yet tested by the European Medicines Agency. This is yet another ‘go-it-alone’ policy by Budapest that sparked criticism across the EU, as it is not aligned with Europe’s vaccine strategy. To add insult to injury, without the vaccine being declared effective and secure, it may further decrease the already low public confidence in the COVID-19 vaccinations. In the latest poll, only 17% of Hungarians said they would take the vaccine, while 47% would refuse. While some of Orbán’s domestic critics deem the decision to be part of its ‘opening up towards the east’ propaganda campaign, Hungary is keeping its options open, as Szijjártó claimed the country is also in negotiations with Chinese vaccine makers. He has also announced his reservation about vaccines from both European and American producers.

**ECONOMIC OUTLOOK**

The major challenge of US President-Elect Biden’s Administration is to restore the credibility of the United States in the global arena and re-establish the United States as a trustworthy ally for some of its alienated partners. Several vital priorities emerge to this end, including promoting a joint global response to the COVID-19 crisis, restructuring international trade dynamics and bringing climate change to the forefront.
In the time of increasingly fractured responses to the COVID-19 crisis, President-Elect Biden is expected to promote a global agenda and call for more synchronised action over a sequence of individual national reactions. Even though the fiscal stimuli and monetary easing policies have been appropriately taken across continents, there has been a lack of shared priorities worldwide. **Vaccine delivery and access coordination, and a new set of international aid and debt relief to the emerging economies** are envisioned to be some of the first steps Biden administration will work towards.

Getting the pandemic under control is the first pre-condition for the economic success of Biden’s Administration. The adoption of a science and evidence-based strategy and rejoining the WHO is expected to this end.

The Administration is expected to be a **strong supporter of global cooperation** across policy domains. The choice of some cabinet nominees is already indicative of the values that the Administration will abide by. For example, the nominee for Secretary State, Anthony Blinken, is an avid proponent of multilateralism, and is anticipated to urge a strengthened communication between the US and Europe. He also might propose to form new more diverse alliances linking Europe and Asia. Softening the ongoing trade disputes with Europe, aligning more with European leaders and the WTO on regulating worldwide supply chains, and joint work towards the pressing China challenge may also be in the pipeline.

**UPDATED PROJECTIONS OF MAJOR ECONOMIC INTERNATIONAL INSTITUTIONS**

In terms of the global economic outlook, a great deal will depend on the speed, cooperation, distribution and take-up of COVID-19 vaccines. The sole fact that several viable vaccines came to fruition will favourably impact business and consumer confidence and support economic activity. Concerted action on the part of governments is necessary to secure successful distribution across countries. Consistent, transparent communication campaigns targeting the broad public on the part of governments on the efficacy and safety of the vaccines and eradicating disinformation will be critical to buttress the vaccine take-up and work towards collective immunity – a necessary ingredient in returning towards the new post-COVID-19 normal. Nevertheless, most institutions warn that the outlook will be gradual, with many downside risks. If any of the components of a successful vaccine roll out is derailed or delayed, the outlook will be weakened.

Zooming onto the V4 region, the European Commission revised down forecasts for 2020 for Slovakia and Czechia in its **Autumn 2020** forecast (compared to the previous vintage in Spring 2020). This is counter-balanced by upward revisions for Poland and Hungary that are in the latest Commission’s forecast projected to fare better, i.e., a softer contraction is anticipated. Next year, EC projects a more muted bounce-back than foreseen in Spring 2020.

(Sources: European Commission and International Monetary Fund)
DEMOCRACY & RESILIENCE

COVID-19 DISINFORMATION MANIFESTED IN THE STREETS

As the second wave of COVID-19 pandemic peaked in Central Europe, so did the impact of toxic messaging, conspiracy theories and disinformation. Unlike in spring of 2020, there were no signs of solidarity or applauding the medical workers and the police for protecting the public’s health. On the contrary, this time around the mood has turned sour in many Central and Eastern European countries. The anger and frustration, driven equally by the economic impact of anti-pandemic measures and consistent bombardment of COVID-19 related disinformation on social media poured from the virtual space into the streets.

The fatigue from economic lockdown, inconsistent and sometimes chaotic communication from the authorities, and the viral spread of manipulative and misleading claims downplaying the severity of the pandemic was simmering for quite some time. It fully manifested in October and November when a host of actors weaponised the discontent and turned it into a mobilising aggressive political narratives.

In Slovakia, the anti-pandemic measures and anti-government protests started already in October, when a violent mob tried to break the gate of the Slovak Government office, and the police had to disperse the crowd using a water cannon, first such use in many years. The second demonstration organised on the anniversary of the Velvet Revolution, November 17, drew bigger crowds – some fifteen to twenty thousand people in Bratislava and several other towns throughout Slovakia, defying the ban on all public demonstrations with the majority of participants not wearing face masks. These demonstrations were mostly peaceful, yet the speakers represented a broad anti-democratic spectrum, trying to capitalise on popular discontent. The sight of a former dissident standing shoulder to shoulder with the communist party and neo-fascist LSNS party representatives was at least bizarre.

Public gatherings protesting against COVID-19 measures in Czechia were less numerous than in Slovakia but featured similar narratives. Slogans downplaying the severity of COVID-19 pandemic, linking vaccination to various conspiracy theories were a vivid illustration of how deeply different conspiratorial narratives have penetrated the public. The second demonstration, also organised on November 17, drew two thousand participants and featured similar messaging as the Slovak one.

With the prospect of vaccination to be initiated soon, the impact of various anti-vaccination narratives is taking its toll. It might have severe repercussions for the success of the vaccination efforts in the whole region. The upcoming GLOBSEC TRENDS 2020 will feature a full chapter dedicated to various COVID-19 related conspiracy theories, but one figure stands out.

DIVERGENT VIEWS FROM THE VISEGRAD FOUR ON THE US PRESIDENTIAL ELECTIONS

The outcome of the US presidential elections will undoubtedly have a significant impact on the whole region of Central Europe situated on the outer edge of both the EU and NATO. People living in the region had different favourites in the highly polarised race, reflecting the current domestic US political debate, as GLOBSEC polling confirms. Slovaks and Czechs were clearly in favour of Joe Biden, while Hungarians were almost evenly split between Biden and Trump. Poles predominantly preferred Donald Trump. Joe Biden angered Hungarian and Polish authorities during the campaign when he linked these two countries to totalitarian regimes, which sparked a strong rebuke from Hungarian Foreign Minister Péter Szijjártó. In his reply, Minister Szijjártó questioned Joe Bidens’ record as vice president during the Obama administration.

Despite these frictions, following the declaration of victory by President-Elect Joe Biden, all leaders from the region congratulated him. These included Slovak, Czech and Polish Presidents and Prime Ministers. Even Hungarian Prime Minister Viktor Orbán, who in an unusual move, publicly endorsed Donald Trump in September, congratulated Joe Biden on his victory.
CZECHIA: RUSSIAN LAUNDROMAT UNCOVERED AND INTELLIGENCE REPORT ON CHINA AND RUSSIA

More than one hundred companies or individuals based in Czechia might be potentially involved in a Russian money-laundering scheme in Europe, uncovered through a 14-month-long investigation conducted by the International Consortium of Investigative Journalists and BuzzFeed News. Leaked files from Financial Crimes Enforcement Network, the US anti-money laundering authority, suspect the continuity of Russian money laundering in the Czechia, mostly in the form of payments from corrupt Russian officials, and from asset-stripped companies and bribes for customs officials. A new suspicious trend is payments linked to China and Chinese executive directors of Czech-based companies. According to the investigation, the International Monetary Fund has been continuously warning about the loopholes in the anti-money-laundering regulations in the country.

According to a recently released annual report of Czech Security Information Service’s (BIS), Russia and China remain the top security threats in Czechia. The operations of Russian and Chinese foreign intelligence services are considered to be worrying. The report issued warnings on the two countries’ interest in winning the upcoming expansion of the Dukovany nuclear power tender.

SLOVAKIA TAKES INITIAL STEPS IN LIMITING CHINESE INFLUENCE

Slovakia used to be very reluctant to enact any measures limiting growing Chinese influence in the country. With the new government, this trend has been reversed, and two significant steps were taken in this regard: signing a Joint Declaration on 5G security and screening of direct foreign investments. Although both steps do not explicitly mention China, it is apparent that the real reason for both measures was to curtail the growing Chinese footprint in the region and Slovakia.

In October, the Minister of Foreign and European Affairs of the Slovak Republic, Ivan Korčok, and US Secretary of State Mike Pompeo signed a Joint Declaration on 5G Security. It aims to strengthen cooperation in building secure 5G networks by adhering to specific criteria when choosing technology providers, such as shared corporate ethical standards and the rule of law. Although the declaration is not binding, the criteria should consider the control of foreign governments and the respect for principles of intellectual property. While the declaration does not specifically mention China, it hints that the intention is to exclude key 5G providers, Huawei and ZTE, from the selection process. The US has already signed similar declarations with Czechia, Lithuania, Latvia, Romania, Poland, Estonia and Slovenia. (See the Defence and Security section).

In an unrelated development, Slovakia initiated monitoring direct foreign investments which may pose a risk to national security. A new contact point will be established at the Ministry of Economy to collect data and share it with other EU member states. All the member states are required to comply with a new EU regulation preventing direct investments from non-European countries which may potentially pose harm to critical infrastructure, including in the energy sector, technology security, AI investment, robotics. Security access to private data and non-interference in media freedom and pluralism will also be included in the ministry’s watch list. The criteria based on which the ministry will assess the investments will consist of the history of foreign investors and the potential of being controlled by a non-European government.

HUNGARY LOST AGAINST CEU

The Soros-supported Central European University won the legal battle against the Hungarian government in the Court of Justice of the EU. The EU’s highest court ruled in October that the so-called ‘lex CEU’ was incompatible with the EU law. In the final judgement, the Grand Chamber found the Hungarian law as contrary to the provisions in the Charter of Fundamental Rights on academic freedom, the freedom to establish higher education institutions and the freedom to conduct business. The decision follows the European Commission’s criticism voiced in its Rule of Law Report on Hungary, which raised concerns about the independence of the Hungarian judiciary, media and increase pressure on civil society that “further affect checks and balances.”

POLAND FINES GAZPROM

In October, Poland’s Office of Competition and Consumer Protection fined Russian energy giant Gazprom with €6.5 billion over the Nord Stream 2 gas pipeline, which will, according to the office, unfairly increase Gazprom’s dominance on the Polish market. The Polish antitrust authority targeted Gazprom with the world’s largest competition fine. It far exceeds the EU monopoly use penalties, which usually tend to hit the maximum level of 10% of a company’s yearly revenue. High energy vulnerability and dependence on a few companies’ energy sources could be exploited as a mechanism within hybrid attacks and could potentially have serious consequences for the country’s economy.
THE GREEN AGENDA

Slowly but surely, CEE member states have been coming around to the European Commission’s more ambitious 55% emissions reduction target for 2030 since its announcement in late September. The European Council is expected to endorse the new target at the last Council meeting of the year, allowing the EU to submit an updated nationally determined contribution to the UNFCCC secretariat on time and keep its Paris Agreement commitments. Nonetheless, CEE governments are not satisfied with the European Commission’s member state level communication or engagement on its impact assessment.

As attention shifts from the political to the technical, several issues will need to be resolved in the course of the European Green Deal legislative process in 2021 to ensure it is fit for purpose in CEE member states. CEE governments preach principles of flexibility, solidarity and technology neutrality and agree on the following core positions: effort sharing targets to continue to be based on GDP per capita; reform of emissions trading scheme (ETS) to expand available resources but not no expansion of sectors; a Just Transition Fund fit for purpose; a carbon border adjustment mechanism key to European Green Deal; revision of state aid rules for fast coal phase-out and faster deployment of renewables in electricity and heat.

The common position of keeping transport and buildings sectors out of the ETS is somewhat nuanced, with Slovakia taking issue, believing it will destabilise a well-functioning ETS that took so long to build. Hungary is concerned over the socio-economic impact, and Poland asserts it is unnecessary, as businesses in these sectors can pass full costs to clients. Governments believe ETS sectors have the highest potential for emissions reductions, especially with electricity and heat, for 2030. Comparatively, they are sceptical of the potential of non-ETS sectors which they perceive to be costly and less effective from a value for money perspective. Slovakia occupies the most hard-line position here, voicing displeasure with binding renewable and energy efficiency targets when achieving aggregate emission reductions is the ultimate aim.

CEE countries are strongly attached to the carbon border adjustment mechanism (CBAM) as the key element of the European Green Deal package to ensure heavy industry retains a level playing field with foreign competitors. Most countries also want to keep the free allowances that have supported fossil intensive industries at least until there is a suitable policy replacement. From an economic standpoint, free allocations should only be a stopgap measure with the carbon border mechanism functioning as a long-term market-based solution. Ideally, CBAM will be a viable trade tool that mitigates carbon leakage and incentivises third countries with lax climate regulations to begin pricing carbon, but the timeline is unclear.

It is worth noting that at the member state level, Poland, in particular, is advocating not only for an increase in the ETS Modernisation Fund, but an entirely new ‘Energy Solidarity Fund’ from ETS revenue to address energy poverty in member states with GDP per capita below the EU average. Czechia faces a very unique and dire situation in its forestry sector with a bark beetle epidemic that has turned its carbon sink into a net contributor for emissions of some 10%, which needs to be addressed in the LULUCF.

THE DIGITAL AGENDA

CEE DIGITAL ACCELERATION DURING COVID-19

The lockdown-induced digital acceleration in CEE was evident during the first months of the coronavirus crisis. Between January-May 2020, the rate of growth of the digital economy almost doubled when compared with the year-on-year change observed between 2017–2019.

COVID-19 has altered the way we dress, eat, and travel to work; how we relax, study, and run businesses. As a recent McKinsey survey shows, almost 12 million new users of online services appeared in CEE; this is, in fact, more than the population of Slovakia, Croatia and Slovenia altogether. Notably, the most robust growth of users was observed among consumers aged over 65.

While the speedy growth of digital economy unlocks great potential for already digitalised companies, it also puts great pressure on SMEs that lag on digital adoption to transform the way they interact with customers and run their businesses. As restrictions imposed during the pandemic acted as a catalyst for digital transformation, investments in creating a tech-driven economy could be the key to post-pandemic recovery and further growth in the region.
THREE SEAS INITIATIVE GAINS BIPARTISAN SUPPORT IN THE US CONGRESS

On November 18, the US House of Representatives passed a resolution expressing support of the Three Seas Initiative. The bill is part of the American efforts to increase energy independence and infrastructure connectivity in Central Europe and is thereby strengthening the transatlantic cooperation in national security.

Besides strengthening the support for the existing and new energy initiatives, this moment also has the potential to facilitate digitalisation in Central Europe further. First of all, to be truly effective in building a digital economy and to have a seat at the table in Brussels in the area of digital policy, key regional players in Central Europe must coordinate and identify their priorities. The framework of the Three Seas Initiative could be used for this joint endeavour, with its political leverage, available funding and the existing – yet underdeveloped – Digital Pillar of the project.

Secondly, synchronised with Europe’s digital agenda and priorities, the Three Seas Initiative is an opportunity for Central Europe to become a more significant interlocutor for the US in the region. However, a coordinated regional drive toward an advanced digital economy could change this perception, raising the region’s profile on digital issues both for US investors and policymakers. The enhanced performance of the region will also help the EU reach its digital objectives faster.

US-EU TECH POLICY UNDER BIDEN

Over the past couple of years, the tensions between Europe and the US have also affected the area of tech policy. The issues at stake ranged from the Donald Trump-led push against Chinese providers of 5G technology, the invalidation of the US privacy shield by the EU Court of Justice, to Europe’s plans to impose digital taxes.

The approach of the new Biden administration towards the EU-US relationship in public policy in general as well as tech policy, depends on which party gains control of the US Congress, which will become clear after the Senate elections in Georgia on 5 January 2021. However, given Biden’s lifelong propensity for transatlanticism, we can expect that the tone of debates will shift from resentment to mutual respect regardless of the January results.

While it seems like the new Biden administration could be aligned with the EU in their views of harnessing Big Tech, many of the decisions will come down to the final the balance of power in the US Congress. The critical policy issues to be addressed on both sides of the Atlantic are the crackdown on Big Tech in the form of antitrust regulation, content moderation policies, and rule-setting for data flows and data privacy.

At the same time, it can be expected that countering Chinese influence in the digital realm will remain a strategic priority for both the US and the EU. With Biden’s campaign promising to “ensure the technologies of the future like AI are bound by laws and ethics,” the work is likely to continue, giving Europe and the US a shared leadership role on the subject.

Digital taxation is likely to remain a contended issue. The EU considering going ahead with a bloc-wide tax on digital services offered by companies such as Google and Amazon if a global deal to rewrite rules for cross-border taxation is not reached by mid-2021. The EU hopes Biden’s incoming Administration will clarify the US position US digital taxation within two months of taking office.

DEFENCE AND SECURITY

Romania has won against six other competitors with their bid to host the new European cybersecurity hub (ECCC) in Bucharest. The six other states competing to host the new ECCC included Poland, Belgium, Germany, Lithuania, Luxembourg, and Spain. The new body’s aim will be to centralise the European cybersecurity ecosystem and pool resources in the field to guard against cyberattacks. Amidst the pandemic, the controversial issues of 5G and foreign providers remain at the forefront of transatlantic security. The varying contemporary application of Huawei technologies among the applicants became a point of contention in the race to determine the ECCC’s host city. Romania has recently adopted a hawkish stance when it comes to cybersecurity by aligning itself with US concerns on the issue. Draft legislation would effectively ban Huawei products from Romania’s 5G system. Huawei has fought back, arguing that the proposed Romanian legislation flies in the face of the EU’s principle of competition, as well as discriminating Huawei for being a Chinese company.

Until recently the passage of this legislation was considered inevitable. However, the legislation’s future is now more uncertain after the governing PNL party’s shock underperformance in the 6 December general elections. An ultranationalist siphoned votes away from the mainstream, playing the part of a spoiler. The PNL won just 25% of the vote compared to the 30% won by the Social Democrat Party (PSD). However, the PNL is likely to still form a government due to widespread mistrust regarding the PSD’s history of corruption. That said, the fallout from this election will
delay the passage of this draft legislation until a new government is formed. The future of this legislation will greatly impact Romania’s place in the debate on 5G cybersecurity and is indicative of the fragmented European response to this issue more generally. However, the choice of Bucharest as the host city for the new centre should provide more geopolitical clarity on where the EU stands on this developing issue moving into the future. The construction of Romania’s 5G network is set to begin in late 2021.

After a messy four-year period of bilateral relations between Brussels and Washington, some positive diplomatic outreach towards the incoming Biden administration looks to be in motion. The EU has proposed renewal of sorts for its partnership with the US in preparation for the incoming Administration. Following largely unilateral action from the Trump administration on trade issues and cybersecurity, the EU is preparing to work more closely with the US on preventing Chinese technological dominance. A draft paper from the European Commission lays out this new agenda for EU-US cooperation. The document implies that a renewal of the transatlantic partnership is essential to jointly deal with incoming challenges from China on issues of hacking, digital regulation, intellectual property, and common standards for new technologies. Although this development is encouraging, lingering issues such as ongoing disputes over the taxation of US tech companies in Europe are very much still present. They could jeopardise the proposed EU-US relationship on the issue of technology. Given the selection of the Biden administration of Antony Blinken as US Secretary of State-designate, Europe can at least count on some serious reflection of the proposal and a future platform at Foggy Bottom to discuss greater cooperation on technological challenges and a united front towards China.

RECOMMENDED GLOBSEC READINGS:

GLOBSEC Trends 2020
GLOBSEC Megatrends 2020
The United States and Central Europe: A Road Map for a Democratic Post-pandemic Agenda
Third Country Participation in EU Defence Integration Initiatives
The V4 and EU Strategic Autonomy: Consensual Voice, Discordant Tones?