



Europe Pivots from Brexit to Biden

The President-elect says “America’s back,” but Europeans (and global investors) ask “how long?”

Friedrich Nietzsche, Kelly Clarkson and Ursula von der Leyen agree: what doesn’t kill you makes you stronger.

The 19th century [German philosopher](#), the [American pop idol](#) and the [president of the European Commission](#) all understand that adversity often steels resilience and stiffens determination. In the case of the European Union, Britain’s decision to withdraw looked in 2016 like the beginning of a great unraveling of its lumbering and often incoherent political project. Then came another blow with the election of Donald Trump, who suggested European integration was intended to “[take advantage](#)” of the United States and labelled Europe itself a “[foe](#)” on trade issues.

But the EU’s institutions not only survived, they thrived under pressure in the last five years. With President-elect Joe Biden signaling his intention to restore relations with America’s allies, European leaders may be a little skeptical, and global investors should brace for some continuing friction, including over tariffs, sanctions and China.

The Brexit negotiations, which may—or may not—be approaching a key final week, are a mark of Europe’s newfound confidence. Even with successive British governments flailing away in disjointed efforts to secure better terms for their departure, the EU’s 27 remaining member states have been steadfast around the basic principle that Britain could not leave their club and expect the same benefits of membership.

While the U.K. legally exited on January 31, the [current talks](#) intend to frame a future trading relationship but seem stuck on Europe’s fishing rights in U.K. waters and the British government’s ability to offer unrestricted “state aid” to companies. These sticking points may be further complicated by British legislation that could undermine previous commitments to keep an open border with Ireland. And the latest news that one of Europe’s top negotiators [tested positive for the coronavirus](#) now makes for a really tight deadline on a deal that 28 parliaments must approve before the end of the year.

The bet is that Prime Minister Boris Johnson will cave in at the last minute to avoid a chaotic transition that will require new border controls, punishing tariffs and technical agreements on everything from air travel to the distribution of vaccines (yes, including COVID-19 vaccines).

Europe, in any case, will turn its attention to the next fresh challenge, which is an America that says it wants to reclaim its role as leader of the Atlantic alliance, even as European leaders wonder what that means.

First, for all its continuing challenges, the European Union has emerged more coherent and confident. The EU’s pandemic response has included both major near-term fiscal commitments and long-term spending and borrowing to support recovery. The European Central Bank has successfully bolstered bond markets to keep credit flowing. Nearly two-thirds of Europeans back the EU’s institutions, according to a [recent poll](#).

Second, while European leaders may welcome Biden’s soothing overtures, they will soon start to wonder just how much he can deliver on the economic issues they care about most. Awkwardly, his election coincided

with Europe slapping tariffs [on \\$4 billion in U.S. goods](#) in connection with a long-standing dispute on government support for Airbus and Boeing. Meanwhile, quarrels over Europe's plans for a digital tax on U.S. tech firms will not disappear in a wave of goodwill. Nor will the conversation warm when Biden presses ahead with [campaign pledges](#) to encourage U.S. firms to "bring back" jobs or to expand "Buy American" provisions in government contracts.

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Third, there is a sense that even as Biden speaks of working with allies to press China for more open markets and protection of intellectual property, Europe's interests may not always align. While some European politicians have expressed wariness as Beijing flexes its influence abroad, Europe fundamentally wants to build an economic relationship with China, while the United States worries about a range of military and political dimensions, too. This shapes how both sides consider issues around Hong Kong protests, North Korea's nuclear program and doing business with Chinese tech giants like Huawei and ZTE.

The trans-Atlantic relationship should warm considerably on more aggressive measures to combat climate change, a fresh approach to Iran's nuclear program and even more pandemic coordination through the World Health Organization. The initial embrace will be friendly and genuine. But decades of post-war trust have been broken, and Europeans have also grown more skeptical about an America they worry has turned inward. They speak, if somewhat vaguely, about the continent's progress toward "[strategic sovereignty](#)" to face global challenges.

"We cannot go back to the exact same agenda we had five years ago," von der Leyen herself warned in [a speech following Biden's victory](#). "Because the world has changed and so have the United States and so has Europe." Brace yourself and remember, if it doesn't kill you

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