



Guten Morgen!

- 1 Wake up and get a feeling for what was in the minds of public-affairs-insiders in Berlin when they woke up while you were still asleep.
- 2 Get a bit of solid intel with a bold spin that no newsletter-journalist would dare to give and ...
- 3 No matter whether that spin was dull or genius: Be inspired for your business overseas after reading this.

PA experts in the US inspired us, for there are major changes in the EU during the crisis that require to be assessed by some PA specialists on the EU/Berlin-site. We'll plan to publish every Saturday morning. But we are just human and might have one drink too many on Friday evening. In any case, ping us if you need to know more before others do.

FIRST, SOME SOLID INTEL:

Digital taxation in the EU – this time, they are serious!

A digital tax has always been a topic of discussion at the OECD. However, that's all it has been: words. It seems EU Commissioner for the Economy Paolo Gentiloni is sick of waiting. Last week, the EU Commission made it clear: failure to adopt an agreement at OECD level by the end of the year means the EU will come up with its own digital tax in 2021. If French Finance Minister Bruno Le Maire has his way, maybe even in the first trimester already! The draft will most probably come together with a law for a global minimum tax, designed to prevent tax havens around the world.

The Commission becoming more active on this topic surprises few; it fits their strategy for a digital sovereign EU. In the current market for digitized products, all actors besides Amazon, Facebook, Google and Apple (The Big Four) do not really have a chance to grow. They lack the resources, which in this case is not only money but also data. In this respect, a digital tax might solve some problems by obliging companies like the aforementioned big four to pay their fair share. However, it wouldn't change the fact that only they have the access to the most important data needed to be successful in the markets.

Anna

Christian



Ursula takes the moral high ground

Earlier this week, Ursula von der Leyen delivered her “State of the European Union” speech in front of the European Parliament in Brussels. Usually this speech takes place in Strasbourg, but moving an entire Parliament across the border to France while also keeping Corona-guidelines was one headache too many for MEPs. During the 79-minute speech, von der Leyen touched on many topics like unity and increased EU powers, but kept circling back to presenting the EU as an entity with high moral standards. For example, she emphasized the need for a “new pact” on migration, one that shares the burden more equally among Member States. She also condemned Polish municipalities for adopting anti-LGBTQI regulations, and promised an anti-racism action plan. When it came to China, von der Leyen slightly pulled her punches, using language that didn’t explicitly condemn China, but rather pointed out “ideological differences.” Would she not be currently occupied with securing a lucrative trade deal with China, her assessment might have been more scathing. It really seemed von der Leyen had thought long and hard over how to give as many factions as possible a little something. Overall, the speech demonstrated von der Leyen’s readiness to put the historic amount of money at her disposal to humane, efficient use.

Altmaier: 20 points for climate, and hopefully the polls

Last week, German Federal Minister of the Economy Peter Altmaier (CDU) presented a 20-point action plan to implement future climate policy on a “market-economy basis.” The plan itself ([full version here](#)), while important, was a lot less interesting than the circumstances surrounding its release. That being said, there were some noteworthy points nonetheless. For starters, climate protection is to become a fixed budget item, with a “certain percentage” of GDP allocated towards the cause every year until 2050. Next, the government is offering investment grants to companies committing themselves to quicker emission reductions than previously planned. Lastly, there will be a comprehensive reform of the German Renewable Energy Sources Act (EEG).

The House’s View

Now, to the interesting part: reading between the lines of the 20 points. Historically speaking, Altmaier and the CDU/CSU have a sub-par track record when it comes to protecting the environment. So why this? Why now? Simply put: 2021 is an election year. Already during the 2019 EU elections, [it was clear](#) climate protection is a top priority among German voters. Rival parties like the Greens or the SPD have been on the “right side” of climate protection for decades, and with this move Altmaier tried to signal the CDU/CSU is now finally on board as well. Valiant effort, Mr. Altmaier, but will it be enough to convince voters?

EU on its way to becoming a geopolitical actor?

The positioning of the EU Parliament couldn’t be clearer: Alexander Lukashenko, the President of Belarus, is, in their opinion, not a legitimate president. Their opinion is backed by the High Representative of the Union for Foreign Affairs and Security Policy Josep Borrell. According to Borrell, the election in August, in which Lukashenko gained 80% of the votes, was fraudulent. Following the sham election, numerous protests against Lukashenko were violently broken up, leading to countless arrests, injuries, and even a few deaths. Two of the three leading opposition politicians have gone into exile, with the third being held in custody in Minsk.

One of the EU’s long-term wishes has been to have a Belarus free from dictatorship.

With Lukashenko’s dictatorial practices becoming apparent in the last few years, this might be their chance. The EU is strengthening its relationships with civil society in Belarus, supporting the opposition, and preparing sanctions against the current government. There is no doubt the EU would welcome a regime change.

Shhh you’ll wake the neighbors

This week’s Brexit drama: breaching international law. Boris Johnson and his government want to override parts of an agreement they signed with the EU in 2019. Essentially, [with this deal](#), goods would travel freely across the Ireland-Northern Ireland border, but firms would need to submit export declarations when shipping from Northern Ireland to Great Britain. Johnson is no longer pleased with this arrangement, and has set a bill in motion in the UK Parliament to undo this agreement.

Arguments about breaching international law have become so loud, the neighbors across the Atlantic overheard the discussion and are now weighing in, too. Important voices in Congress, including Nancy Pelosi, [clearly stated](#) there would be “absolutely no chance” of a UK trade deal passing the US Congress if the Northern Ireland Protocol was broken. Democratic Presidential Nominee Joe Biden also [had a message](#) for Johnson: no peace in Northern Ireland because of Brexit, no free trade! Trump may applaud Johnson’s “UK First” approach, but should Biden be elected president, an EU-friendly Commander in Chief would sit in the White House once again, further alienating the UK from the rest of the world.



Facebook goes after Apple at the EU Commission

The EU Commission is the competition watchdog in the EU's internal market and has a watchful eye on Big Tech. However, currently Facebook is trying to cozy up to the Commission because they have a common enemy: Apple. Through the "AppStore," Apple provides a platform for digital services in the form of apps and makes the rules for this platform. Unsurprisingly, those rules mainly benefit one player: Apple. This is a pity for developers across the world and also for Facebook. Apple's strict rules regulate in-app sales and income from advertisement for Facebook in – according to Facebook and many other global tech companies - an unfair way.

The EU Commission is working on a legislative package for online services which would also regulate app stores in the EU. This means Facebook's timing is certainly no coincidence. It gives Facebook the possibility to increase its own earnings while weakening a competitor. Still, this legislative package is also critical for any app-developing company that provides its services in the EU. Ping us if you want to know more about the Commission's plans for online services.

LONG STORY SHORT:

- With infrastructure developed by the EU Commission, Germany and five other countries will test whether their Corona tracing apps work across borders. This would enhance traceability, especially in times of vacation, and be a big success for the EU, which often struggles when it comes to tech.
- In her State of the Union speech (see article), Ursula von der Leyen announced a budget of €8 billion to build the next generation of supercomputers. Currently, the EU is already aiming to develop the first supercomputer of the "Exascale" class which would have more than double the computational power of the best supercomputer in the world.
- After we reported several times about the plans for a European cloud infrastructure, this week, 22 companies from Germany and France have signed the founding documents for the non-profit organization "Gaia-X," located in Brussels. German companies are, among others, BMW, SAP and Siemens.
- The discussions about the pipeline project "North Stream 2" are ongoing in Germany. Chancellor Angela Merkel said that she hadn't come to a conclusive judgement concerning the project. With only 150 kilometers of pipeline left to build and Russia continuing the construction, we think she probably should do so in the next days.



By **Christian**,
Founder and MD

WHAT'S ON OUR MINDS TODAY:

State of the Madness

This week our President of the EU-Commission Ursula von der Leyen held her "State of the Union" speech at the EU-Parliament plenary. A good speech! However, it did prove to me that we in Europe are all over the place these days.



She started her speech in French, but switched to English only four sentences in. => **French Journalists mad.**

(BTW: German is the most widely-spoken language in the EU, but you don't see us German-speakers complaining...just saying).

The speech was supposed to be held in Strasbourg, but due to Corona it was held in Brussels => **Macron mad.**

Ursula blamed Russia for its "pattern" of "meddling around the world" => **Russia mad.** (Checkmate-ish rebuttal from a Russian politician: "But the West nuked Japan!")

Brexit treaty is overdue, but Boris doesn't want to deliver, she said => **Boris Johnson mad.**

Boris tweeted right back at her "they seek to divide us" => **Joe Biden mad.**



Joe Biden? Ja! Boris Johnson can forget him as a trading partner (should be become President) if the Northern-Ireland border issue is not settled by then (meaning duly organized with an EU-UK Brexit treaty).

And then Trump said that Austrians "live in the forest" with "forest cities" and "exploding trees" => **Austrians mad (or mostly just cracking up)**

The REAL State of the Union seems to be: There's no union at all! However, there is one way we stand as one: United we're mad.

ABOUT KRAUTSHELL:

We just assumed that you receive way too many and way too many newsletters, while still not getting the intel you need. With "In a Krautshell" we want to give pros in corporate and public politics an executive-style glimpse into what is going on in Germany and Europe. Feel free to give us some feedback, correct bad English we Germans think to be appropriate and let us know whether or not you find it insightful what we are doing here.

We are **ERSTE LESUNG** (transl. first reading), a full-service public affairs consultancy with offices in Berlin and Brussels and your on-site support for consulting and government response in Germany and the EU.



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