# The bigger picture: The impact of COVID-19 on the EU-UK relationship

**Jannike Wachowiak** – *Junior Policy Analyst, European Policy Centre*

**Dr Fabian Zuleeg** – *Chief Executive and Chief Economist, European Policy Centre*

The COVID-19 pandemic, and the ensuing economic, social, and health crises, have dramatically altered the environment in which Brexit is taking place. This is already impacting the negotiations on the future relationship between the EU and the UK.

Firstly, COVID-19 has given a new impetus to the case for extending the transition period. Secondly, the reverberations of the pandemic will be felt long after the current negotiations between the EU and the UK have concluded, amplifying the impact of Brexit on the cooperation and competition between them. These wider implications go beyond the future economic partnership and affect geostrategic and security concerns.

This chapter discusses the need to extend the transition period, as well as the broader impacts of COVID-19 on the EU and UK post-Brexit.

## The case for extending the transition period in light of COVID-19

There is an urgent case for extending the transition period. The time to do so is, however, running out. Under the provisions of the Withdrawal Agreement, an extension

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of either one or two years must be agreed before 1 July 2020.

Even before COVID-19 struck Europe, the UK's decision to negotiate the future relationship within 10 months presented an immense challenge for the negotiating teams. Now, by insisting on this timeline despite the disruptions caused by the pandemic, the UK has increased the likelihood of a no-deal outcome.

On the political level, there is little bandwidth to focus on the Brexit negotiations. With attention elsewhere, it is very difficult to achieve any substantive progress in the politically sensitive areas – such as fisheries, governance, the level playing field – where compromises will be necessary to strike a deal.

In addition to struggling with the fallout from COVID-19, businesses are asked to prepare for the effects of Brexit (e.g. new migration rules, see Chapter 11; border controls; disruptions to supply chains). This must be done without much knowledge on what exactly the new rules will be, or whether there will even be a deal.

Most importantly, COVID-19 has changed the broader context in which the UK will leave the transition phase. The UK is exiting the EU's Single Market and Customs Union amidst a global economic crisis. The UK economy will experience an unprecedented economic downturn, with forecasts predicting its worst recession in 300 years.[1] The shock of a 'hard Brexit', no matter its actual scale, will exacerbate the economic situation further and reinforce disruptions. Extending the transition period by either one or two years could prevent such an accumulation of economic shocks.

The UK government's red lines in the negotiations, paired with its adamant refusal to even contemplate an extension, increase the likelihood of not concluding a deal at all. The question of how the UK will leave the transition period – with or without a deal, in good or bad faith – has wider implications for the long-term partnership between the EU and UK.

# The wider economic implications

The UK is the second-largest economy in Europe and the fifth-biggest economy in the world. Necessarily, its departure affects the EU's economic capability and weight, especially in areas where the UK has known economic strength, like financial services, research and academia.

While some EU member states with strong links to the UK economy, such as Belgium and the Netherlands, will be more impacted than others (see Chapter 7), the EU as a whole is expected to be better placed to absorb the economic shock than the UK.

Throughout the transition period, EU-UK trade patterns have continued as before.[2] However, the economic impact will become noticeable once the UK has left the transition period (see Chapter 3). The extent of the shock will depend on the depth and breadth (or lack thereof) of the future economic partnership. Without an extension, the risk of a no-deal outcome with severe economic consequences increases. However, even if a deal is reached, the UK's red lines only allow for a hard Brexit and significantly less intimate economic partnership.

Without a deal, trade between the EU and the UK will be based on World Trade Organization (WTO) terms and include the

reintroduction of tariffs and non-tariff barriers. In this case, the level playing field provisions that the EU insists must be part of any deal would not come into effect.

WTO membership represents 98% of world trade.[3] Consequently, its system of trade rules provides the ground rules of global trade for most developed and developing countries. However, while the WTO discourages unfair practices, it is not designed to guarantee a level playing field between two developed and deeply integrated economies like the EU and UK.[4]

Boris Johnson has reassured the EU that the UK "will not engage in some cut-throat race to the bottom."[5] However, ruling out this possibility would be premature, particularly if EU-UK talks conclude without a deal and on bad terms. It is also worth noting that Johnson's official statements run contrary to remarks from members of his Cabinet, who have in the past advocated a low-tax and -regulations economy.[6]

If the UK gains competitive advantages by undercutting EU standards, some member states might be reluctant to subscribe to the EU's future regulatory ambitions (e.g. on the Green New Deal), or even advocate lowering the floor for EU standards.

The UK still must establish new economic partnerships with the rest of the world, adding further uncertainty about its post-Brexit trade objectives. At the heart of its 'Global Britain' ambitions is a trade deal with the US. The UK will face difficult choices in these negotiations, for instance, regarding whether or not to open its market to US agricultural products produced at lower food safety standards. The latest UK proposal to permit the import of such products (e.g. chlorinated chicken) at a higher tariff[7] opens the door to a gradual adjustment to US standards. The pressure to seal a deal with the US at any price, and therefore to accept lower standards and potentially lower UK standards to maintain competitiveness, will be higher in the absence of an agreement with the EU.

COVID-19 has affected the international climate in which the UK leaves the EU trading bloc. New trade deals will be negotiated amidst a global downturn and in a tense trade environment. The global spread of the virus laid bare the advanced state of globalisation, and fragility of supply chains if states decide to close borders and withdraw from cooperation.

While diversifying supply chains can help create resilience to external shocks,[8] the crisis might embolden the argument against global trade and lead to further protectionism instead. The UK's voice "as a campaigner for global free trade"[9]

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might have little clout in a post-COVID-19 world that is characterised by protectionist instincts, trade conflicts and Sino-American rivalry.

# The wider geostrategic implications

The pandemic's impact will accelerate already existing geopolitical trends, such as rising tensions between the US and China. Since the start of the pandemic, President Donald Trump has ramped up his anti-China rhetoric noticeably. The EU has been careful not to take sides in this escalating conflict. In the long run, the EU will need greater strategic autonomy to be able to strike its own balance between economic, security and human rights concerns.

**In a world where the US president is increasingly withdrawing from multilateralism inter alia paralysing the functioning of the WTO, the EU and UK must amplify each other's voices if they are to have an impact and defend the rules-based international order.**

Now outside of the EU, the UK is more likely to be strong-armed into choosing sides. In the context of its trade talks, the US is already pressuring the UK to distance itself from China.[10] Within the Conservative Party, a group of senior Members of Parliament have recently been pushing for a tougher line on China. It remains unclear how the UK government will recalibrate its foreign policy strategy to avoid becoming a pawn in greater power politics.[11]

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# The wider security and foreign policy implications

Beyond the EU's role as an economic power, Brexit will impact the EU's (and the UK's) influence in the realm of security and defence. Besides France, the UK has been the EU's only nuclear power as well as permanent member of the UN's

Security Council, thereby giving greater weight to the EU as a foreign policy actor. The UK's departure will weaken the EU's effectiveness, for instance, when it comes to imposing international sanctions (see Chapter 13).

The UK has shaped the EU's foreign policy in multiple ways, from its resolute attitude towards Russia and transatlantic outlook, to its preference for action led by the North Atlantic Treaty Organization (NATO) over the creation of autonomous EU defence structures. The balance of interests within the EU on some of these issues might shift after the UK has left, creating internal tensions. For instance, French President Emmanuel Macron's recent call for better relations with Russia and criticism of a languishing NATO set off alarm bells in Eastern Europe, thereby potentially weakening the EU's ability to speak with one voice on Russia.

Despite including it in the jointly agreed Political Declaration, the UK refuses to discuss security and defence in the future relationship negotiations. It appears that the UK rejects any institutionalised form of cooperation and prefers bilateralism and coordination on a case-by-case basis (see Chapter 14), which would result in a less predictable or reliable security partnership.

The UK's future foreign policy under the slogan 'Global Britain' remains ill-defined. It is based on the vague image of a UK that is "more outward-looking, more engaged with the world than ever before."[13] Central to the UK's global aspirations is the renewal of its relations with the Commonwealth and Anglosphere, playing into the narrative of an empire lost and great power expectations. While the UK is chasing dreams of Empire 2.0, new security threats are emerging that know no national border: cybersecurity threats, the climate emergency and global pandemics.

Close cooperation between like-minded and reliable partners will be required to tackle any of these cross-border security threats efficiently. Brexit paradoxically creates fragmentation at precisely the point when COVID-19 has showcased the need for greater cooperation, for instance, in the realms of medical research and food security.

Despite its 'special relationship' with the US, the UK's foreign policy interests are in practice more often aligned with Europe's. For example, the UK has sided with the EU and not the US on climate change and Trump's rejection of the Paris Agreement, the US' withdrawal from the Iran nuclear deal, and Trump's decision to move the US Embassy in Israel to Jerusalem.[14] A Trump-led White House is hardly a reliable partner for the UK.

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While the UK can still align with the EU's position on foreign policy issues, it can no longer shape it actively. In terms of UK-US relations, in addition to an anticipated decline in the former's military capabilities, a UK outside of the EU will no longer be regarded as a mouthpiece for transatlantic interests and, therefore, be less valuable to Washington. It will, thus, lose influence either side of the pond.

The UK's declining political influence will be reinforced by the economic shocks of Brexit and COVID-19, with economic pressures potentially resulting in a defence budget reduction in real terms.

# The wider implications for (dis)integration

In light of a changing international order, Brexit will also impact how the EU approaches its relationship with other third countries. What will be the implications for European (dis)integration?

The initial concern that other EU states might want to follow the UK's example did not materialise (see Chapter 6). On the contrary, the EU-UK negotiations have exposed the economic and political costs of leaving the EU and enhanced the leverage of the Single Market.

Brexit has shone a light on the EU's priorities in its relations with third countries and its ability to speak with one voice when it comes to the importance of preserving the integrity and competitiveness of its market. This has already given new impetus to the EU's renegotiation of existing agreements (e.g. a unified governance framework for the EU-Swiss agreement, see Chapter 8). In some areas, the UK's departure could be an incentive for deeper integration. For instance, the UK used to stall closer cooperation in the areas of EU strategic autonomy and defence spending.

While Brexit has not resulted in further EU disintegration, the EU would be well advised to take the feelings of public discontent and political disenfranchisement that were expressed in the referendum seriously. Brexit should mark a moment of critical self-reflection and a chance for the EU to explore ways of considering citizens' views, improving public communication, and levelling up (regional and other) inequalities. Despite COVID-19 occupying all political bandwidth, EU member states should not dismiss the window of opportunity offered by the upcoming Conference on the Future of Europe, especially its participatory elements.

In the UK, neither its citizens nor other stakeholders (e.g. businesses, the devolved administrations) were consulted on their preferences for the future EU-UK relationship. Societal divides on Brexit still run deep (see Chapter 2). This has also increased the chance of territorial disintegration. The Scottish independence debate is gaining momentum (see Chapter 4), and Northern Ireland's new status under the Withdrawal Agreement has sparked debates about Irish reunification (see Chapter 5).

The EU must prepare for the wider implications of a disintegrating UK, especially since an independent Scotland would seek EU membership. While the EU should be open to any request from a pro-European state that shares its values,

it must also be aware of the destabilising effects on the UK. For instance, the break-up of the UK would cause a great headache regarding the UK's independent nuclear deterrent, considering that its nuclear submarines and munitions are based in Scotland. The question of Irish reunification will likely lead to a renewed conflict between Nationalists and Unionists and directly affect the EU via Ireland's EU membership.

There are other territorial issues, like the status of Gibraltar, access to fishing grounds, and the coordinated response to future (e.g. climate-induced) migration patterns. These hold considerable potential for conflict and could strain EU-UK relations in the future. Against this backdrop, it is necessary to establish robust mechanisms for dispute resolution,[15] as well as a single governance framework that enables an evolving partnership and linkages between different areas of cooperation.

# The case for long-term strategic thinking and a trusting partnership

The EU must consider how to position itself vis-à-vis the UK and other third countries post-Brexit. It should review what Brexit means for the EU as a regional and global actor – not only in terms of 'hard security' but also with a view to its soft power abilities to influence and attract others.

The EU will need trustworthy and reliable partners and alliances to defend its interests on the global stage. Considering that the EU and UK will continue to share common objectives, the former has no interest in a weakened UK that is less influential and more vulnerable to external threats.

Mutual trust will be an important factor in guaranteeing a successful reinstatement of close and mutually beneficial EU-UK relations. However, the trust between both sides has been put to the test. In particular, the UK's dithering approach regarding the implementation of the Protocol on Ireland and Northern Ireland has created doubts about the UK's goodwill. If the UK is perceived to be revoking its legally binding commitment to ensure a fully operational

customs border in the Irish Sea, the future relationship would be off to the worst possible start.

While the EU should not compromise its principles in the future relationship negotiations, it is important not to lose sight of the bigger picture. The COVID-19 pandemic has reinforced global trends, such as rising US-China tensions, an increasingly protectionist trade environment, and the prevalence of cross-border security threats. These trends essentially highlight shared EU-UK strategic interests and the need for close cooperation. The primacy of the UK's sovereignty concerns currently limits the prospects for cooperation and generates a climate of distrust.

In the long run, new mechanisms (or institutions) are needed to establish new patterns of cooperation, thereby creating shared goals, transparency and trust. An acrimonious divorce – for instance, following an abrupt end to talks or an insufficiently implemented Protocol on Ireland and Northern Ireland – would be a problematic start for this transition towards a renewed, trusting partnership.

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[1] Bank of England (2020), "Monetary Policy Report", London.

[2] Sampson, Thomas (2020), "Brexit and UK trade: the story so far", London: The UK in a Changing Europe.

[3] *World Trade Organization*, "Who we are" (accessed 09 June 2020).

[4] Baldock, David; Larissa Brunner; Pablo Ibáñez Colomo; Emily Lydgate; Marley Morris; Martin Nesbit; Jacques Pelkmans; Vincent Verouden and Fabian Zuleeg (2019), *Ensuring a post-Brexit level playing field,* Brussels: European Policy Centre.

[5] Johnson, Boris, "PM speech in Greenwich: 3 February 2020", Greenwich, 03 February 2020.

[6] For instance, in 2012, leading Brexiters (and now Cabinet members) published *Britannia Unchained: Global Lessons for Growth and Prosperity*, which called for a far-reaching deregulation agenda for the UK.

[7] Stone, Jon, "Government ready to open British markets to chlorinated chicken for US trade deal", *The Independent*, 04 June 2020.

[8] Koujianou Goldberg, Pinelopi, "The new empty argument against trade", *International Politics and Society,* 22 May 2020.

[9] Johnson (2020), *op.cit.*

[10] Wintour, Patrick, "US message to Britain in bilateral trade talks: it's us – or China", *The Guardian*, 12 May 2020.

[11] Especially since the UK's review of its foreign, defence, security and development policy for recalibrating its global role has been postponed.

[12] Zuleeg, Fabian (2019), "The Worst Is Yet To Come", *Berlin Policy Journal,* 31 October 2019.

[13] Johnson, Boris, "The rest of the world believes in Britain. It's time that we did too", *The Telegraph*, 15 July 2018.

[14] Major, Claudia and Nicolai von Ondarza (2018), "No 'Global Britain' after Brexit", Berlin: German Institute for International and Security Affairs.

[15] Zuleeg (2019), *op.cit.*