

COVID-19 UK/EMEA insights briefing

This week's panel included: Matthew d'Ancona, Editor and Partner at Tortoise Media and columnist at the Evening Standard; Victor Yang, global Director of Corporate Affairs at Geely; Amber Rudd, Teneo Senior Adviser and former Home Secretary; Wolfango Piccoli, Co-President of Teneo's Risk Practice, and was chaired by Principal of Teneo's Situations and Politics practice and former Downing Street Director of Politics and Communications, Craig Oliver

Next steps and challenges for the UK

Government challenged to ease the lockdown

- Government is finding it harder to lift the lockdown than it did to put it in place, with a delicate balancing act needed to see the restoration of liberties and a shift in power from the state back to individual citizens over a transitional period.
- The key question is about who is going to bear the risks as we ease the lockdown, and there has been criticism that the Government is not having an honest conversation with people about the risks.
- The Government felt it had to show some easing of the lockdown to start to get the economy moving and because it has realised many people have worked out they are not at risk and are unlikely to continue to follow the restrictions – as such, the Government decided to move in that direction.
- However, there are questions about the easing of restrictions at this time. While the desire to get the economy moving is clear, there is a sense that the UK is still in a period of crisis. The R rate is between .9 and .5, with ministers unsure about the exact number.
- Some are questioning why the Government is easing restrictions and actively encouraging people to work before there is an easily accessible and functioning testing system in place. While the contact tracing app is being tested on the Isle of Wight, it's not ready for use across the country.

Government communication

Government has been criticised for its communications around the easing the lockdown on a number of fronts:

- It has been argued that the shift from the clear 'stay at home' messaging to the more flexible and vague 'stay alert' has caused confusion and unease. One speaker added: "'Stay alert' as a message would have been fine in itself if it was the pinnacle of a mountain of good sense, but it wasn't."
- The sequencing of the communications, with the PM giving a speech to the nation on Sunday, a day ahead of the detailed guidance and the statement to Parliament, was also questioned.
- Newspapers were also briefed to believe that the easing of restrictions would be more significant, raising the public's expectations. This was exacerbated by the delay in publishing the guidance.
- These setbacks have also been compounded by a sense that there are many grey areas and contradictions in Government guidance.

Government decision-making

- Some of these missteps may be down to the Government's centralised decision-making approach, with the small group of loyal ministers and advisers being consulted on big decisions, not providing the challenge needed.
- The new threat level arrangements (which mirror those used by the Government on terrorism) will be independent and should provide confidence to the public. Mark Hurd, the official leading this work, has come from the Home Office and is likely to have been selected by Cabinet Secretary, Mark Sedwill.

The Union

- The pandemic has heightened questions over the future of the Union. Throughout the crisis, Nicola Sturgeon has come across as an effective leader of a seemingly independent Scotland – this will boost her arguments for another independent referendum after the crisis.

- The devolved administration's rejection of new lockdown messaging and their slower easing of the restrictions has highlighted the different approach now being taken in England. The Government will be concerned that during his Sunday night address to the nation, Johnson looked more like the Prime Minister of England, rather than the UK.
- While Johnson will be keen for the UK to move in and out of lockdown as one, local solutions will be far more effective due to the nature of the pandemic. For example, there will naturally be different responses from cities compared to more rural areas.

Furlough scheme and the fiscal outlook

- The Government's extension of the furlough scheme to October shows they are hoping for the best but preparing for the worst, demonstrating a justified desire to keep people in the labour market at any cost.
- There is an assumption that, like a war, this will be a one-off event rather than a new policy. However, the Treasury will remain flexible on proposals and the scheme itself will be in lockstep with the easing of lockdown.
- The longer-term fiscal outlook will see sustained borrowing given low interest rates with conversations over which forms of taxation will be the most workable. Austerity and public sector pay freezes are not an option, with neither the political or public will or appetite. Some kind of wealth/property tax is an option, particularly to address the ongoing crisis in social care.

Looking ahead

- Where and what the Treasury is spending money on provides a useful indication of their current thinking.
- Johnson's levelling up agenda is in jeopardy as the Government will remain in 'firefighting mode' for the foreseeable future. The consequences of letting that slip will be very serious, especially with members of the working class making up a large proportion of key workers.
- Once the Government is confident on its handle of the crisis, Johnson will likely deliver a speech to discuss plans for the national recovery post-Covid. Thinking is already underway on this.

Easing of the lockdown

Lessons on easing the lockdown from Asia

South Korea and Taiwan provide some important lessons for those coming out of lockdown:

- South Korea is currently struggling to contain a new cluster of more than 100 individuals affected by one person. Authorities there are trying, and struggling, to test 5000 people who were in the area at the time.
- Taiwan had only 500 cases and six deaths and didn't impose any lockdown measures. Despite this their economy has 'tanked'. Whilst they are exposed due to their large export industry, it demonstrates the likely impact of the crisis on the global economy.

Easing of the lockdown in Europe

- In Europe there are four key trends:
 1. Re-opening is harder than locking down and politicians are facing intense debate. In France, Macron is at 35% in the polls and only 25% of people want to send their children to school. In Germany, Merkel is facing protests by right wing libertarians against the lockdown.
 2. Devolved administration is increasingly important. National guidelines do not work, the best lockdown easing is taking place in provinces, districts and regions.
 3. Whilst there has been lots of work done by the Government to support people through furlough schemes, there has been no talk of boosting growth. A recovery will need to be bottom up and will rely on consumer sentiment.

4. Taxation will become increasingly important as money needs to be found somewhere, with discussions over wealth taxes and other ways of raising revenue.

- Looking to other countries, the UK can learn from how European leaders are requiring more from businesses. For example, in some EU countries, businesses won't be eligible for government support if they lay off people or pay dividends.

The view from business in China

Return to work in China

- Even before the lockdown took place in Wuhan, Geely had already set up an Emergency Task Force to manage the crisis. This focused on taking care of employees as a priority – all staff reported the health status of themselves and their families to Geely HQ every day. The company has had no confirmed cases across its 60,000-employee base.
- Workers have gradually been brought back to work through a phased 'return to work' plan, with more employees brought into the office each week. Rules and regulations across specific cities and regions differ.
- As people have returned to work, the company has encouraged colleagues not to go to shops, bars and restaurants that have started to re-open. For example, staff are receiving lunch box deliveries to ensure they don't need to leave the office to get food.
- Marketing has been shifted almost completely online – exhibitions and product launches have all taken place online over the last 3 months.
- There is continued criticism between China and the US over the pandemic. Arguments have shifted from being focussed on trade / the economy towards politics. Chinese authorities will likely want to focus on rebuilding and protecting the economy, however, are prepared for a long period of tension with the US.
- Sales forecasts in China remain the same and Geely has experienced a slight (2%) increase in sales compared to the same period last year. There is significant room for growth in the auto market in China, however, sales will likely be slower in other markets for 2020.

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