

COVID-19 UK/EMEA insights briefing

This week's panel included:

- **Oliver Shah**, Sunday Times Business Editor
- **The Right Honourable Brian Mulroney, P.C.**, Teneo Senior Adviser and former Canadian Prime Minister
- **Amber Rudd**, Teneo Senior Adviser and former Home Secretary
- **Wolfgang Piccoli**, Co-President of Teneo's Risk Practice

Business trends

Will business behavior change as a result of Covid?

- The question people have asked again and again over the past four months is – how is this going to change the business landscape? Is business going to be reformed as a result of this?
- We've seen huge amounts of government stimulus and unprecedented individual intervention across a whole range of sectors. Soon, we're going to have the first bailout of a strategically significant company direct by the Treasury in the form of Tata Steel.
- So at the moment we've got a situation where the landscape has been redrawn by state intervention.
- That means in the near term you're going to see corporate restraint on a scale not normally seen – for example, there's a stigma around paying dividends even among companies that haven't taken direct tax payer support.
- But that will pass in time. As the furlough scheme and the Treasury backed loan schemes reduce in their use by companies, you will see a normal state of affairs to start to reassert itself.
- Longer term, there will be a huge widening of the gap between winners and losers. Many sectors such as retail, hospitality and manufacturing were in crisis before the pandemic hit. Over the next five years, we're going to see a lot of those industries swept away, which will pose huge challenges in terms of how to replace jobs outside of London.
- The only companies that are doing well through this crisis are US big tech firms. They've absolutely boomed in the past four months while a lot of other share price have tanked, almost single handedly dragging the S&P up into a "mini rally" recently.

Political situation in the UK

A balancing act

- The government is easing social distancing measures, but the reality is that we still have high levels of infection compared to when we started the lockdown.
- The great driver for No. 10 making that decision is fear of unemployment. The government now estimates that we could go to four and a half million unemployed, and some think it could be much larger. That is a staggering number and would not only be an economic disaster for the country but a political disaster for the Conservative Party. Over the last ten years they have been able to point to rising employment as a bulwark against the opposition – four and a half million would leave the Tories uncomfortably exposed.
- The government needs to undo the lockdown to get people back to work – so much so that they are willing to take a risk on coronavirus despite what the scientists are saying.
- One of the assumptions they've made is correct – while we know relatively little about the virus, we know that you are less likely to get it outside. The calculation that the government has made is that over the summer we are unlikely to see a second virus wave.

Planning – the next political battle?

- The government also needs to think about what we can do to stimulate the economy. Fiscal stimulus can be done with money, but it can also be done with deregulation of the planning system, which is a tantalising prospect for this government.
- So expect a political battle over planning, because the Prime Minister and his aids will be looking to change planning laws, but planning is a difficult issue for the Conservative Party.
- Conservative MPs tend to be in seats where new houses need to be built, and backbench Tories can be fearsome opposition.

Who is really running things?

- The row over the tracing app with Matt Hancock was very indicative of the wider issue with tech – who is really in charge? When it comes to apps, the platform they can be used on and how they work, the tech giants are very much running the show.
- This has wider implications than just tracing apps. We are already struggling to tax tech companies properly, and without leadership from the US it is unknown how this is going to be addressed.
- This is a huge problem for governments outside the US, because as big US tech firms increasingly dominate much of the money is being made off shore. It is going to pose big challenges in terms of tax revenue, employment, and how you try and support industries that have really been impacted by the lockdown over the past four months.

Geopolitical trends

Covid-19 International Developments

- As nations edge towards reopening, it is important not to lose sight of the pandemic's continued acceleration. There are currently more than 9m confirmed cases of Covid-19 globally. Looking back, it took the world nearly three months to arrive at 1m cases, 13 days to 2m and just seven days in between 8m and 9m. The trend is painfully obvious.
- Last Sunday, with 183,000 recorded new cases worldwide, was the single biggest daily jump since records began.
- New research from Harvard reveals that the fear factor has had the most impact on consumer spending, not government restrictions or low/ loss of income. Wealthy spenders have significantly reduced spending, causing a knock-on effect on low-income spenders.

Covid-19 Global Leadership

- Global leadership is nowhere to be seen. The USA used to lead the free world in all things, but showed up too late for Covid-19.
- In fact, the current behaviour of the US president is an antithesis of leadership. Yesterday, Trump spoke to 4,000 young people in Arizona in a hot hall without a mask. This is alongside Fauci testifying that masks are indispensable to help prevent spread.
- This is exactly the kind of behaviour that has impressed the president of Brazil and the dire Covid-19 situation is being replicated in his country. How many more will follow?
- If global leaders collaborated as seamlessly as global scientists, we'd be much further ahead in combatting the pandemic.
- 'Leadership is the ability to look around the corner of history, just a little bit.' The key question for the upcoming election is 'who do you trust to get us through this?' It will be very tight.

USA

- In America, community spreading is driving the infections – notable examples are clusters in a church in Ohio, a strip club in Wisconsin, newly reopened bars in Baton Rouge and Las Vegas casinos.
- As of Monday, 22nd June, the nation's seven-day average of daily new Covid-19 cases increased more than 30% compared with a week ago, according to John Hopkins data.
- Texas, Arizona and California are among the states mostly across the American South and West that have seen a dramatic increase in cases over the past few weeks as they started reopening their economies.

Germany

- Germany was held as an example to other nations working to protect both health and economies.
- However, there are signs of a second wave as the regional state government of North Rhine-Westphalia (NRW) has put the local district of Guetersloh back on full lockdown on 23rd June.
- At the root of the lockdown is Germany's largest meat production facility. Out of some 7,000 employees, around 1,500 have so far tested positive. Amid low temperatures and an extremely industrialized, low-cost production process, working conditions are notoriously dire in Germany's meat industry. Workers from Central and Eastern Europe and are formally employed via subcontractors, thus undercutting minimum-wage requirements.
- Cases of rapid Covid-19 spread through worker populations are also seen in other countries, namely Qatar.

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