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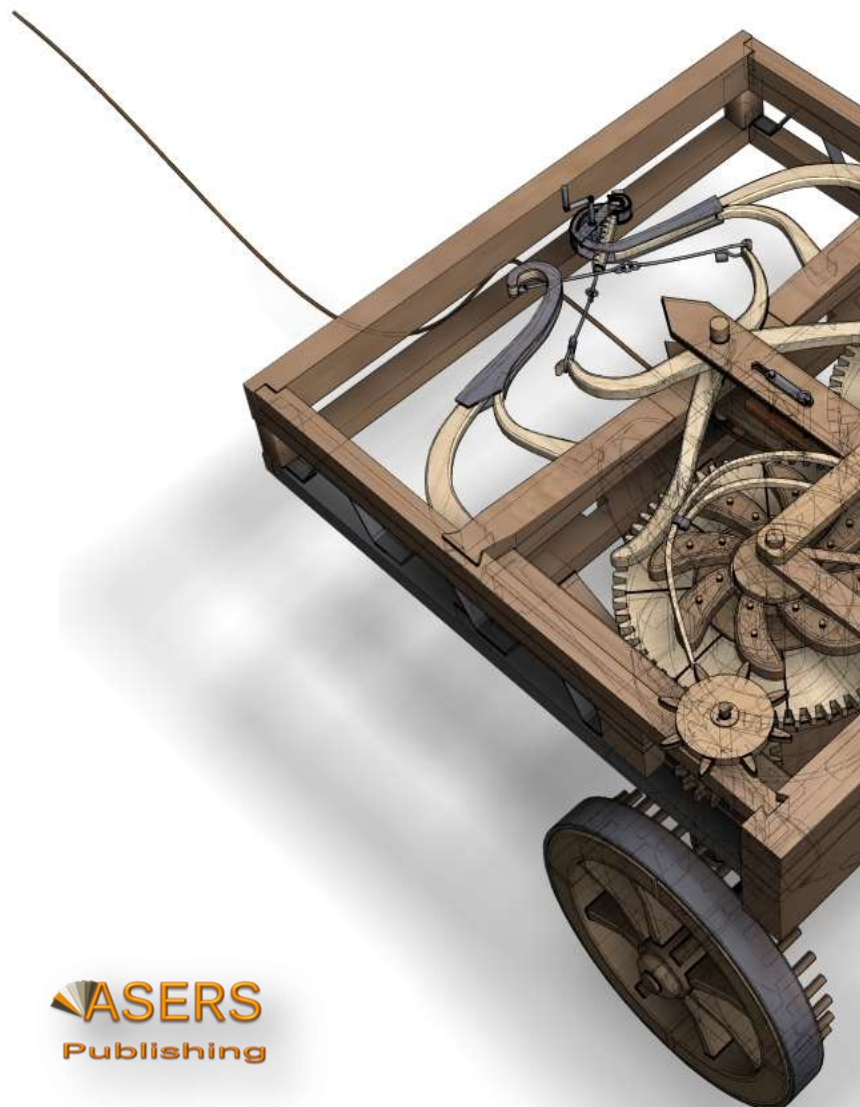
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Theoretical and Practical Research in Economic Fields



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THE BREXIT HAMMER: REPERCUSSIONS FOR THE US AND TRANSATLANTIC RELATIONS IN TIMES OF CORONA

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Abstract:

The global revival of economic nationalism and protectionism poses a serious threat to the international foreign trade policy orientation towards principles of a market economy. Popular economic nationalism such as Trumpism, Brexit or the isolation of the Eastern European Visegrád states from immigrants violates fundamental principles of the WTO. Economists agree that Brexit will hurt the UK economy significantly in the medium and long term. In addition, its political and economic effects will damage the US and transatlantic relations. British Prime Minister Boris Johnson, on the other hand, continues to claim that leaving the EU will enable Britain to "take back control". In addition, the socio-economic effects of the Corona crisis on the US, UK, EU and transatlantic relations are devastating. It has far-reaching political, social and economic consequences that go well beyond public health. All partners need each other more than ever to cope with the Covid crisis. Increased transatlantic cooperation to strengthen resilience would also be necessary in closely related areas of international relations and security issues.

Keywords: Brexit; COVID-19-pandemic; USA; United Kingdom; transatlantic relations; Anglosphere.

JEL Classification: F13; F15; F22; F52; F68; I14; N10; N40; O24; O50; Z13.

Introduction

The British voted 52 % to 48 % in favour of leaving the European Union (EU) in a referendum on 23 June 2016. The Brexit rules in force since 31 January 2020 are likely to hurt the British economy in the medium and long term according to most economists and economist literature. Since the expiration of the transition period on 31 December 2020, the United Kingdom (UK) is no longer part of the European Union Customs Union and the European Single Market. Yet, the full scale of the damage, hitting trade and deepening labour shortages, is still uncertain, because the impact is overloaded by the economic effect of the Covid-19 pandemic¹. In the following, I should like to focus on the combined impact of Brexit and the COVID-19 pandemic on the US and transatlantic relations. The revival of popular economic nationalism and protection like Brexit, Trumpism and the foreclosure of the East-European Visegrád countries against migrants, constitutes a serious threat to free trade and free markets worldwide. It will weaken especially the Western hemisphere that up to now upheld, if not guaranteed, economic liberal positions in world trade. Furthermore, the socio-economic impact of the Corona crisis on the US and transatlantic relations has been devastating far beyond public health.

¹ Giles, Chris (2021) Covid pandemic masks Brexit impact on UK economy. London. Financial Times, 1 July 2021

Enhanced transatlantic cooperation to strengthen resilience would be required also in closely related areas of international relations and security issues.

1. Impact of Brexit and the COVID-19 Crisis on the USA

1.1 The impact of Brexit on the USA

The Brexit effects became visible first concerning the trade in goods. But the estimated impact depends largely on which statistics are used. According to the UK's Office for National Statistics (ONS), exports to the EU were 5 % lower in April 2021 than last December but cut by 24 % when measured by Eurostat over the same period². Likewise, the value of imports of trade in goods from the EU to the UK was 19 % down over the same period, according to the ONS, while Eurostat recorded only a 13 % decline.

Brexit induced deregulation could benefit businesses only to a limited extent because the UK had already the second-lowest value of the OECD Product Market Regulation and held the 6th position in the World Bank's Doing Business ranking. The regulation of network industries was the least restrictive among OECD countries³. Nonetheless, in August 2021, London announced that it wanted to restrict the endless cookie notices and consents on the Internet, demanded by the European General Data Protection Regulation (GDPR) and therefore reject a European set of rules for the first time after leaving the EU⁴. There was concern in Brussels that this might only be the beginning of further deregulations which would assure the UK an unfair competitive edge in international relations.

Yet, economists generally agree about the long term Brexit effects, e.g about a reduction of British GDP by about 4 %, compared with remaining inside the EU. For the years to come, much depends on the degree of supply chain ruptures between Britain and the EU-27 as well as the extent to which the UK becomes less attractive to investors.

Moreover, the new restrictions concerning labour movement, introduced with Brexit, limiting the rights of EU citizens to come and work in Britain, raised concerns about labour shortages (Giles 2021). Though, here again, it is difficult to differentiate. Labour shortages resulted from an impact mix of the Covid-crisis and Brexit. There were similar trends observed in other EU countries which suggested that it was not solely a Brexit effect. Employers had to realize in some sectors such as social care that the times when they could expect labour to be freely available were over and that on the contrary, they needed to pay more to ensure available staff.⁵

Advocates of Brexit like Premier Boris Johnson claimed that leaving the EU would enable Britain to "take back control." But then, the benefits of Brexit for the UK are not evident either. London rapidly rolled over many trade agreements with countries that already had dealt with the EU. The then foreign affairs minister, Boris Johnson, promised already before the Brexit vote in 2016 a 'titanic success' of the envisaged CANZUK union with the former white settler colonies of the British empire, meant to replace the lost EU market⁶. However, economists are sceptical about the positive net effect of the deal. Even the British government's impact assessment suggested a total gain of just 0.02 % in the long run⁷.

End of August 2021 disturbing news about UK's lorry driver shortage hit the public. The shortage could push food prices higher and that at a high time of business before Christmas. The shortage could hit transport and storage firms lagging in the recovery as well as consumer-facing firms and the farm sector that had been complaining already about labour shortages because of the lockout of migrant seasonal labourers Eastern Europe by Brexit. Moreover, British car production slumped to lowest July since 1956⁸. Thus, the cost of moving home rose as British removals firms put up prices up to 25 % as firms cover wage increases to attract staff amid post-Brexit lorry driver shortages⁹.

² Giles, Chris (2021) Covid pandemic masks Brexit impact on UK economy. London. Financial Times, 1 July 2021

³ Kierzenkowski, Rafal and Nigel Pain and Elena Rusticelli and Sanne Zwart (2016) The Economic Consequences of Brexit: A Taxing Decision. OECD Economic Policy Papers

⁴ Hern, Alex (2021) UK to overhaul privacy rules in post-Brexit departure from GDPR. The Guardian (London), 26 Aug 2021

⁵ Giles, Chris (2021) Covid pandemic masks Brexit impact on UK economy. London. Financial Times, 1 July 2021

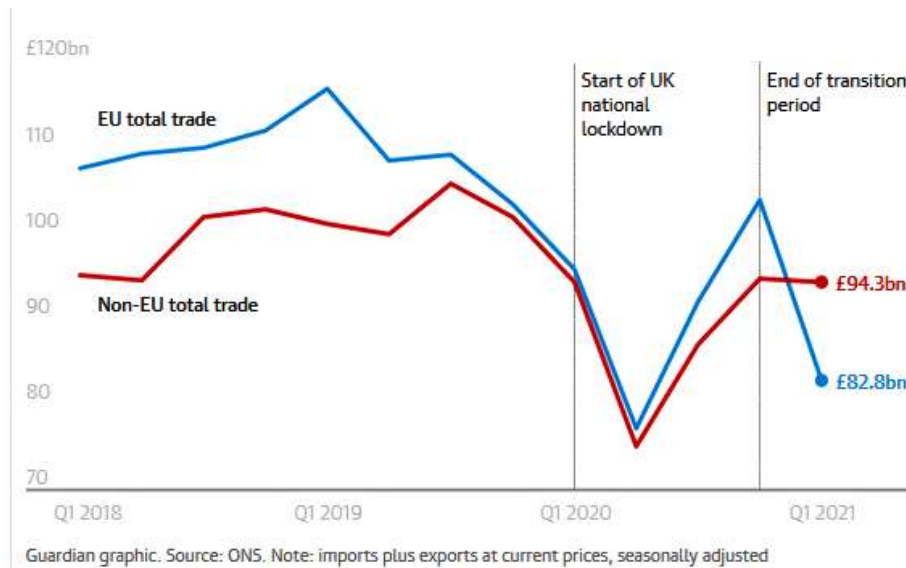
⁶ Kohnert, Dirk (2021): Brexit and CANZUK: expectations versus realities. BLOG, UK-in-a-Changing-Europe, 8.July 2021

⁷ Giles, Chris (2021) Covid pandemic masks Brexit impact on UK economy. London. Financial Times, 1 July 2021

⁸ Wearden, Graeme (2021): UK's lorry driver shortage 'could push food prices up', as supply chain crisis hits confidence – as it happened. The Guardian (London), 26 Aug 2021

⁹ Wearden, Graeme (2021): UK's lorry driver shortage 'could push food prices up', as supply chain crisis hits confidence – as it happened. The Guardian (London), 26 Aug 2021

Figure 1. Post-Brexit UK trade in goods with non-EU countries surpassed that with EU, 1st quarter 2021



Source: [The Guardian](#), Partington, 2021

However, recently the British got amazed about a perceived 'Corona miracle'. When Boris Johnson confirmed the end of almost all COVID-19 restrictions on 19 July 2021, gloomy forecasts were abounding. Epidemiologist Neil Ferguson from the Imperial College London, a member of the Covid advisory board SAGE, warned that an increase to 100,000 or even 200,000 new infections per day would be almost inevitable¹⁰. Yet, infections up to now did not increase substantially. On the contrary, at the beginning of August 2021, almost 22,000 new infections were reported and hospital admissions, as well as death, also increased only moderately since July.

Figure 2. Confirmed COVID-cases in the UK, March 2020 to August 2021



Source: [UK COVID-19, google news](#). Data Source: John Hopkins Univ.

Yet, the question remains if the protection by the high vaccination rate of the British will last. Almost 73 % of adults received two doses of the vaccine and 89 % one dose. According to the British [Office for National Statistics](#) (ONS) in [Newport \(Wales\)](#), nine out of ten adults have antibodies against Covid, either because they have been vaccinated or have recovered. Moreover, the UK is likely to start a marvellous economic recovery. According to IMF forecasts Britain will show one of the world's highest growth rates with about 7 % in 2021.

Butler, Sarah (2021) Cost of moving home rises as UK removals firms put up prices. London: The Guardian (London), 1 Aug 2021

¹⁰ Plickert, Philip (2021) Briten staunen über mögliches 'Corona-Wunder'. Frankfurter Allgemeine Zeitung (faz), 4 August 2021. English translation by Hall, Susan (2021): Corona in Great Britain: British are amazed at "Corona miracle". Fuzzy Skunk, 4 August 2021

Thus, the pre-COVID-19 crisis level could be reached again by the end of 2021 according to the Bank of England¹¹.

The worldwide revival of popular economic nationalism and protection is a serious threat to the internationally shared policy orientation on foreign trade on the principles of a market economy. This preference had generally prevailed since the end of World War II, e.g. concerning the WTO, founded in 1995, its predecessor, the General Agreement on Tariffs and Trade (GATT, 1948), as well as the OECD, established in 1961 by 38 high-income economies. The consensus had been justified by two assumptions of economic theory: first, the Ricardian theory of comparative advantage and second, a central theorem of international relations, namely the notion that the removal of trade barriers would promote a positive correlative relationship between economic integration, development and peace¹².

Popular economic nationalism, like Trumpism, Brexit or the foreclosure of the four East-European Visegrád countries against immigrants arguably contravenes against the following five fundamental WTO principles:

1. Non-discrimination, including the most favoured nation (MFN) rule and the national treatment policy, was introduced to tackle non-tariff barriers to trade.

2. Reciprocity, to limit the scope of free-riding and a desire to obtain better access to foreign markets, providing that the gain would be greater than the gain available from unilateral liberalization.

3. Binding and enforceable commitments.

4. Transparency through the Trade Policy Review Mechanism (TPRM)

5. Safety values applying in specific circumstances to restrict free trade, e.g. to protect the environment and public health (WTO, Wikipedia).

London's Brexit decision and Donald Trump's aggressive position toward the WTO¹³ were likely to restrict the free world market consensus. Besides, both encouraged populist political national isolation worldwide¹⁴.

Britain is a major US trade and economic ally. It is the largest trading partner by country, accounting for 16.7 % of total UK trade, while the EU is its largest overall partner. Moreover, foreign direct investment (FDI) and connected activities are key aspects of bilateral ties¹⁵ (Akhtar *et al.* 2021). The Brexit required not only a new EU trade agreement with the UK but also a new US-UK free trade agreement. Britain's withdrawal from the EU caused uncertainty for American firms exporting and operating in the UK, given the high degree of interdependence between EU and UK trade and investment and the role of the UK as a stepping stone to the EU market. Although many American enterprises were relieved that, after years of uncertainty, London and Brussels had finally avoided a 'hard Brexit' and did not fall back on WTO terms, many US enterprises in Britain had already begun restructuring their operations due to Brexit. Experts expected post-Brexit UK's growth to shrink in the long-term, compared with Britain remaining in the EU, this the more so, because of additional negative effects of the Corona crisis (Akhtar *et al.* 2021).

According to a recent evaluation by the Congressional Research Service (CRS), the UK is likely to remain one of its closest and most reliable allies of the US, a partnership based on common history, values, language and culture. According to the study, Brexit would be unlikely to cause any drastic overhaul of the general British – American relationship. It would continue for the foreseeable future, not only in economic issues, but also concerning NATO, intelligence, counterterrorism, and other global and regional security challenges. Nevertheless, the CRS recognized a controversial debate about the question of whether Britain's global role and impact are likely to be improved or weakened by Brexit. Unlike President Donald Trump, an outspoken supporter of Brexit, former president Barack Obama, as well as current president Joe Biden and his

¹¹ Plickert, Philip (2021). Briten staunen über mögliches ‚Corona-Wunder‘. Frankfurter Allgemeine Zeitung (faz), 4 August 2021. English translation by Hall, Susan (2021): Corona in Great Britain: British are amazed at "Corona miracle". Fuzzy Skunk, 4 August 2021

¹² Stacy, Sean (2021) Can a Complicated "Consensus" survive a dose of populist poison? Exploring the potential impact of Brexit and Trumpism on the developed country approach to trade. Law and Policy. Law and Development Review, 2021, <https://doi.org/10.1515/ldr-2021-0048>

¹³ Linscott, Mark (2020) The Trump administration's plan to upend the WTO. Atlantic Council, 18 June 2020

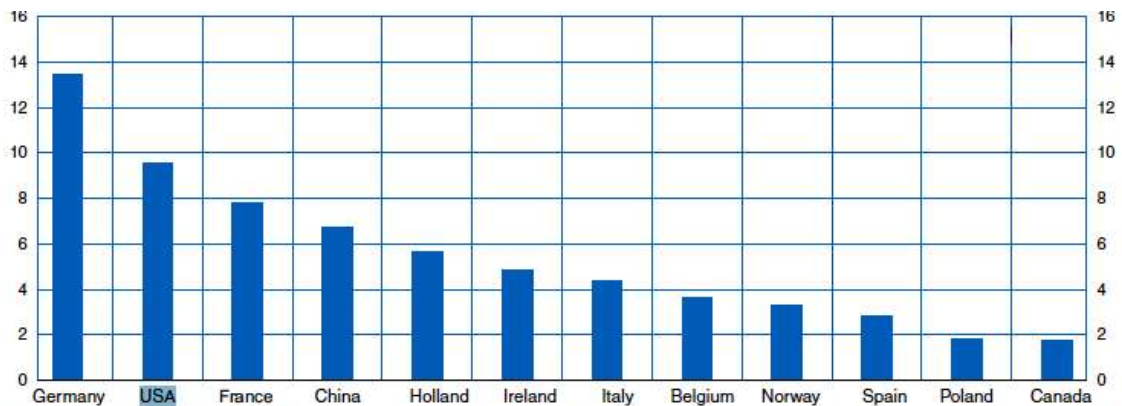
¹⁴ Stacy, Sean (2021) Can a Complicated "Consensus" survive a dose of populist poison? Exploring the potential impact of Brexit and Trumpism on the developed country approach to trade. Law and Policy. Law and Development Review, 2021, <https://doi.org/10.1515/ldr-2021-0048>

¹⁵ Akhtar, Shayerah I. and Rachel F. Fefer and Andres B. Schwarzenberg (2021) Brexit and outlook for a U.S.-UK Free Trade Agreement. In: Focus, Congressional Research Service (2021), updated 14 January 2021

administration, so far have been sceptical (Mix 2021). In 2020, Washington and London conducted five rounds of negotiations on a bilateral free trade agreement the negotiations are on-going.

As of 30 July 2021, total bilateral UK-US trade in goods and services (exports and imports) was £ 188.1 bn in the year to the end of the first quarter of 2021, a decrease of 17.8 % or £ 40.9 bn from the year before. Total UK exports to the US decreased by 17.7 %, total UK imports by 18.1%. In 2019, the outward stock of FDI from the UK in the US was £ 379.7 bn or 25.3 % of the total British outward FDI stock. The UK inward FDI stock was £ 381.6 bn, or 24.5% of the total inward stock (Trade and Investment factsheet, USA, DIT, London, 2021). British service industries were predominant.

Figure 3. Breakdown of UK imports by country and origin (in %)



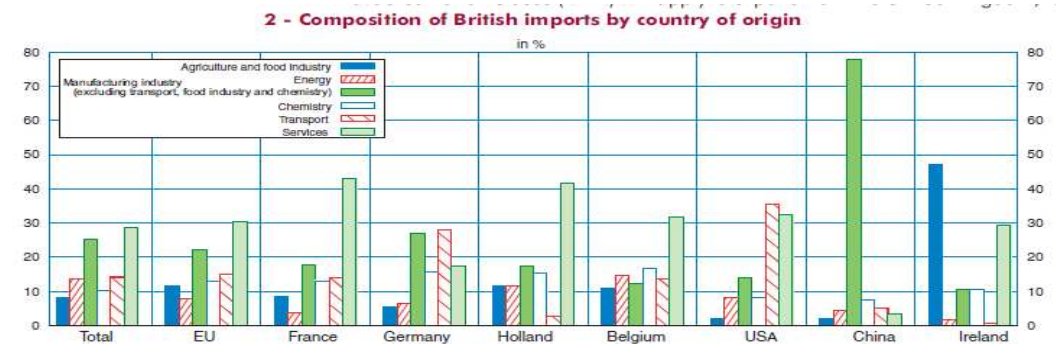
How to read it: in 2014, 13.4% of British imports came from Germany. The countries shown here are the 12 biggest exporters to the United Kingdom, in terms of their share of total British imports.

Sources: WIOD, INSEE

Source: Cornuet, F. et al (2019)

They accounted for 80 % of total economic output and more than 80 % of employment. The bilateral UK - US investment relationship is regarded as the biggest in the world.

Figure 4. Composition of UK imports and exports by country of origin



How to read it: In 2014, 35.6% of British imports from the USA were transport equipment, while the average for this category from all trading partners was 14.1%.

Sources: WIOD, INSEE



How to read it: In 2014, 11.4% of British exports were to the USA. The countries shown here are the 12 biggest buyers of British exports.

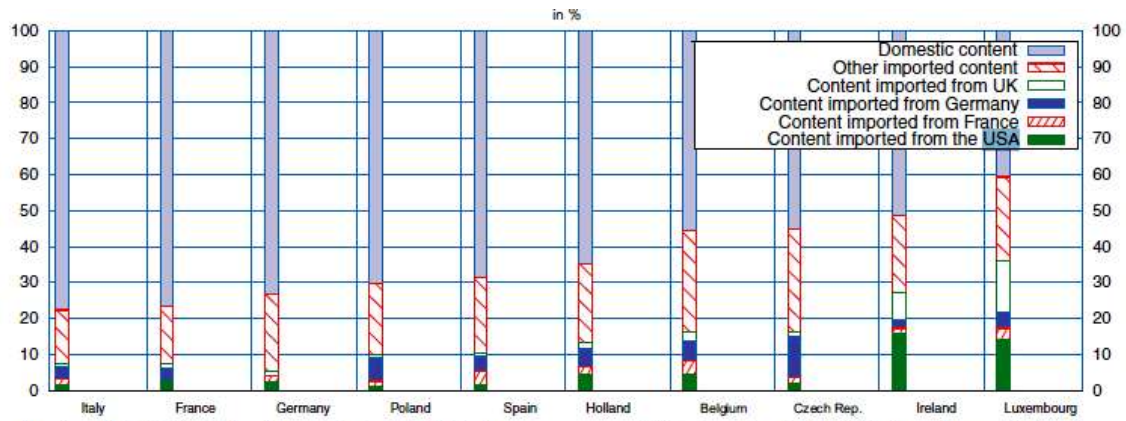
Sources: WIOD, INSEE

Source: Cornuet, F. et al. (2019) p. 40

The five leading export destinations in 2019 were the USA, Germany, Netherlands, France and Ireland, the principal five import countries, the USA, Germany, Netherlands, China and France ¹⁶.

London remained especially ambitious concerning security and defense issues. Britain and America were key partners in terms of defense industry cooperation and defense sales, counterterrorism and intelligence cooperation. Besides, they cooperate through the Five Eyes alliance, an intelligence partnership that includes Australia, Canada, and New Zealand. In 2020, the UK had - with approximately US\$ 61.5 bn - the world's fourth-largest military expenditure (behind the United States, China, and India)¹⁷.

Figure 5. National & imported content of exports from trading partners to the UK



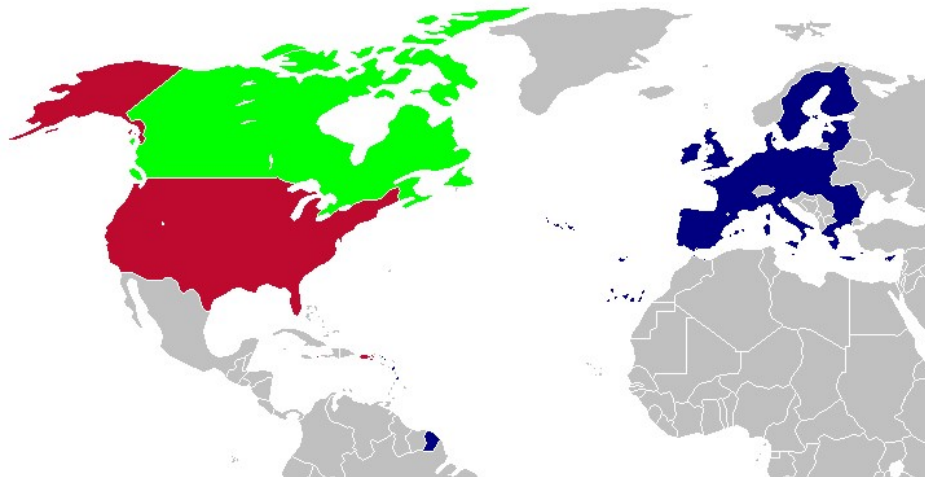
How to read it: 15.8% of Ireland's exports to the United Kingdom were composed of American imports. This table shows the countries for whom exports to the United Kingdom represent the highest share of GDP, leaving out China and USA from whom the effects are less significant.

Sources: WIOD, INSEE

Source: Cornuet, F. *et al.* (2019), p. 41

Even if Brexit would restore Britain's former global importance, the geopolitical conditions have changed fundamentally. The high-flying illusions of the Brexiteers about a revival of the glory of imperial Britain would be difficult to realize. Although visions of 'Global Britain' form a common cultural inheritance, not just of Brexiteers, but of English voters in general, they tend to disregard the consequences of decolonization¹⁸.

Figure 6. Trans-Atlantic relations¹⁹



Source: [Transatlantic relations](#), Wikipedia

¹⁶ Mix, Derek E. (2021) The United Kingdom: Background, Brexit, and relations with the United States. Congressional Research Service, Nr. RL33105, 16 April 2021

¹⁷ Mix, Derek E. (2021) The United Kingdom: Background, Brexit, and relations with the United States. Congressional Research Service, Nr. RL33105, 16 April 2021

¹⁸ Saunders, Robert (2020) Brexit and Empire: 'Global Britain' and the Myth of Imperial Nostalgia. *The Journal of Imperial and Commonwealth History*, 48:6, 1140-1174

¹⁹ One possible definition of transatlantic relations. The US (in red), Canada (in green), the EU (before Brexit; in blue). European non-EU states, Latin America and Africa were excluded ([Transatlantic relations](#), Wikipedia).

Brexit not just weakened the EU but split and undermined the Western alliance too. This, the more so, as the Trans-Atlantic, the center of global geopolitics for centuries, moved slowly but surely to the Trans-Pacific. Certainly, London saw the writing on the wall and tried to reorientate its foreign policy. One consequence was that the British endorsed the idea of CANZUK, i.e. a union between the UK, and its former 'white settler colonies' Canada, Australia and New Zealand, to replace the lost access to the EU-27 market. The CANZUK was embedded in a vision of the revival of the olden days of Great Britain and its role in the 'Anglosphere', dating back to World War II and 19th-century British settler colonialism. However, it is rather doubtful whether the CANZUK will become the 'titanic success' which Boris Johnson promised already in 2016 when he still was minister of foreign affairs²⁰.

Apparently, the center of Britain's post-Brexit economic and political interests will remain in Europe, last, but not least, because of the implications for Northern Ireland and Scotland. Yet, with the split from the EU, London transmitted a seed of contention among Europeans. In fact, it weakened the very foundations of post-war European unification, the partial transfer of national sovereignty to attain a greater mutual impact. But also the remaining EU-27 has changed already substantially with the growth of nationalist populism in an increasing number of member states. In this respect, Brexit was arguably just an accelerant²¹.

Nevertheless, a less ambitious British government that would not concentrate on the restoration of a post-Brexit (imperial) 'Global Britain', could still play an eminent role in European foreign relations and world politics. Namely as a powerful permanent member of the UN Security Council and non-partisan mediator in international relations, equipped with a 'robust mandate'. Thereby London should focus on human rights, democratization and development assistance for least developed countries, in profiting from its strong international connections to most of the political leaders of the world.

Last, but not least, the paradoxical consequences of a new exclusive bilateral UK – US trade deal will probably provoke the erection of one of the major single trade barriers in current foreign trade history, quite to the contrary of London's repeated commitment to promoting free trade²².

Figure 7. *Trans-Pacific (TPP-11)*



Source: CPTPP / TPP-11, HARA KENZO ²³,

²⁰ Kohnert, Dirk (2021): Brexit and CANZUK: expectations versus realities. BLOG, UK-in-a-Changing-Europe, 8. July 2021

²¹ Bevington, Matt (2021) UK foreign policy beyond Brexit. Commentary, UK in a changing Europe. London, 28 January 2021, <https://ukandeu.ac.uk/uk-foreign-policy-beyond-brexit/>

²² Bevington, Matt (2021) UK foreign policy beyond Brexit. Commentary, UK in a changing Europe. London, 28 January 2021, <https://ukandeu.ac.uk/uk-foreign-policy-beyond-brexit/>

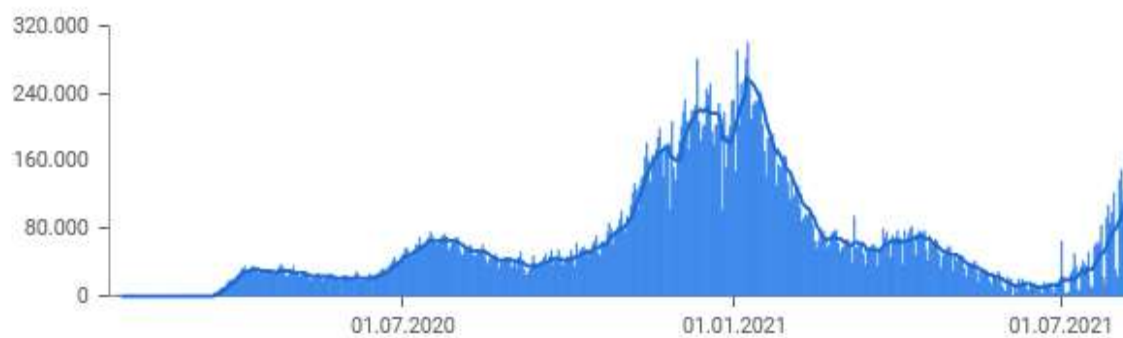
²³ [Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#), created in January 2018 by its member states: [Australia](#), [Brunei](#), [Canada](#), [Chile](#), [Japan](#), [Malaysia](#), [Mexico](#), [New Zealand](#), [Peru](#), [Singapore](#), and [Vietnam](#). The TPP-11 evolved from the [Trans-Pacific Partnership](#) (TPP), which never entered into force due to the withdrawal of the United States under the Trump government. Other Pacific Rim countries including Korea, Thailand, the Philippines, and Taiwan

1.2. Impact of Brexit and the COVID-19 Crisis on the USA

What is to be expected from a future bilateral UK – US trade deal? Former President Trump, who was like-minded with the British Premier Johnson, had promised a 'phenomenal' post-Brexit deal. But it was by no means clear that Washington would honor the traditional 'special relationship' with one of its closest allies and agree to a mutually beneficial treaty. Here too, the maxim 'America first' prevailed²⁴. Washington wanted for example substantial access to the protected British agricultural market and to the cherished National Health Service (NHS) that was to be opened up to American pharmaceutical and medical companies. However, both demands would be to the detriment of British farmers and consumers, e.g. concerning transatlantic differences in product and food standards, and cause vehement protest of the concerned, notably because of the additional impact of the Corona crisis²⁵.

The Corona crisis created not just a public health calamity but an economic emergency too. As of 9 August 2021, there were a total of 35.812.164 COVID-19 confirmed cases, including 616.594 death, as well as 166.477.481 completely vaccinated people (50.5 %) (USA, COVID-19, google news). Thus, the pandemic claimed more than three times the American lives that were lost in the Vietnam war²⁶. As for the regional distribution the virus spread from the densely populated urban centers to more rural parts of the country. The most death was to be deplored in the South-East, South-West and the Far West. Concerning ethnicity, Blacks (African Americans; about 47 million or 14.2% of the total US population) and non-white Hispanos (1.5 m, 0.5%) had been affected most (see figure 13 and 15).

Figure 12. Confirmed COVID-cases USA, January 2020 to July 2021



Source: [USA COVID-19, google news](#), accessed: 9 August 2021

Figure 13. vaccinations USA as % of the total population, January 2021 to July 2021 (dark blue – completely vaccinated; light blue, one dose)



Source: [USA COVID-19, google news](#), accessed: 9 August 2021

also have an interest in the TPP Agreement and may participate in the TPP Agreement in the future. Source: Trans-Pacific Strategic Economic Partnership Agreement (TPP Agreement), [HARAKENZO](#), Intellectual Property Information.

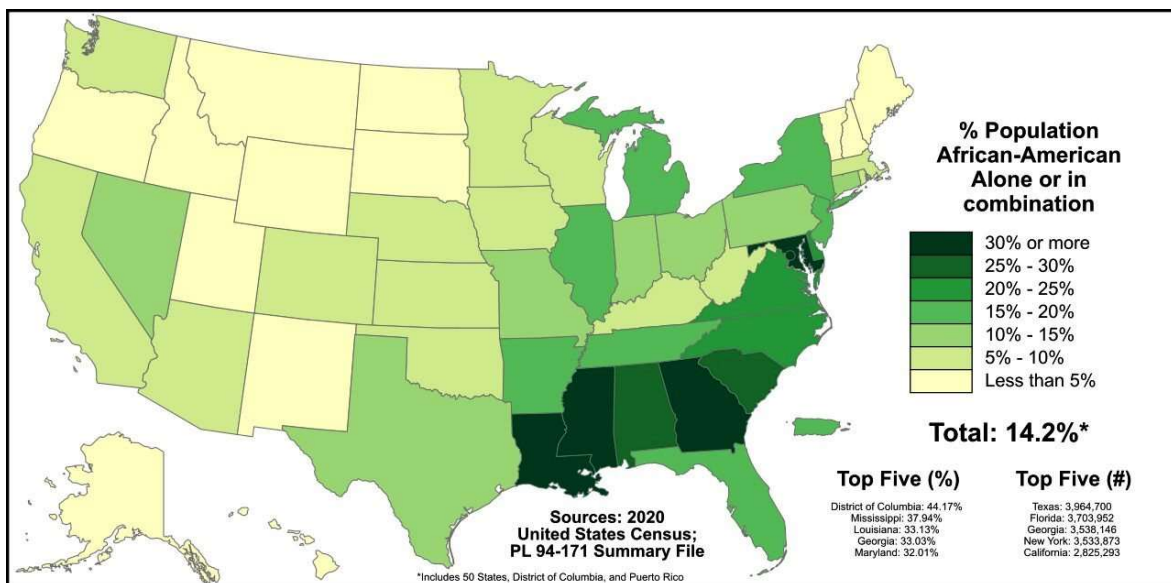
²⁴ Ellyatt, Holly (2019) What Brexit could mean for the US economy. CNBC

²⁵ Beverley-Smith, Huw and Christopher Jefferies (2020) Brexit: forging the New U.K.-U.S. relationship. Insights, Faegre Drinker Biddle & Reath LLP, 22 April 2020

²⁶ Bauer, Lauren et al (2020) Ten facts about COVID-19 and the U.S. economy. Brookings Institution, 17 September 2020

According to a scholarly analysis of the potential economic impact of the pandemic, the latent three most harmful sectors concerning the economic impact were manufacturing, professional services, as well as leisure and hospitality. The former two sectors showed the most sizable initial shocks according to a model calculation. The latter sector, although smaller in size, contributed roughly the same extent to the total output decrease because of its large initial shock. However, the authors of the analysis cautioned that the explanatory power of the modeling was limited because the impact of price- or wage changes as well as the possibility of failed industries was not considered. For regions in which no industries stopped working, the pandemic was likely to exert – according to the prognosis – a reduction of about 9 % of the sector’s output, whereas the total American GDP fell by an annual rate of 31.7 % in the second quarter of 2020, which corresponded to a 9 % quarterly reduction. The latter corresponded with the data reported by the Bureau of Economic Analysis (BEA)²⁷. In March 2020 there was a sharp initial reduction of economic output, followed by a gradual recovery up to March 2021, reaching the pre-Corona levels.

Figure 13. Distribution of African-Americans in the USA



Source: U.S. Census Bureau's American Community Survey 2019; [African Americans](#), Wikipedia

Other things being equal, women and girls were affected disproportionately economically, impacting women’s income, employment, and education chances. Moreover, they were burdened with the mounting pressure of unpaid care for their relatives and last, but not least, they suffered from gender-based violence²⁸.

According to an analysis of the Brookings Institution, the following ten facts marked the economic impact of the Corona crisis on the US economy in its initial stage²⁹:

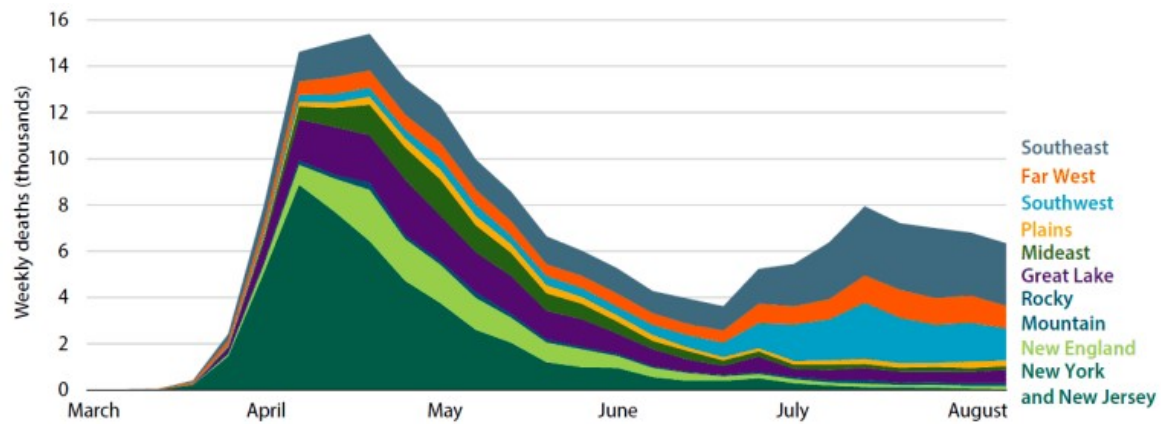
- (1) Small business revenue was down 20 % since January 2020
- (2) Only chapter 11 bankruptcies had increased relative to 2019
- (3) New business formations fell off in the spring but were on track to outpace recent years
- (4) Layoffs and shutdowns – and not reduced average hours – were driving in total hours worked
- (5) The number of labor force participation not at work quadrupled from January to April 2020
- (6) People not in the labor force who wanted a job spiked by 4.5 m in April and remained elevated
- (7) In April 2020 the U.S. personal savings rate reached its highest recorded level
- (8) Low-income families with children were most likely to experience an income shock
- (9) In 26 states, more than one in five households was behind on rent in July 2020
- (10) From 2018 to mid-2020, the rate of food insecurity doubled for households with children.

²⁷ Barlow, Jonathan and Irena Vodenska (2021) Socio-economic impact of the Covid-19 pandemic in the U.S. Entropy, vol. 23 (6), <https://doi.org/10.3390/e23060673>

²⁸ Tang, Vincent et al (2021) Gender Equality and COVID-19: Policies and institutions for mitigating the crisis. Washington D.C.: IMF, blog 'Fiscal Issues', July 28, 2021, <https://www.imf.org/en/Publications/SPROLLS/covid19-special-notes>

²⁹ Bauer, Lauren et al. (2020) Ten facts about COVID-19 and the U.S. economy. Brookings Institution, 17 September 2020

Figure 14. COVID-19 weekly death by US region, March to August 2020

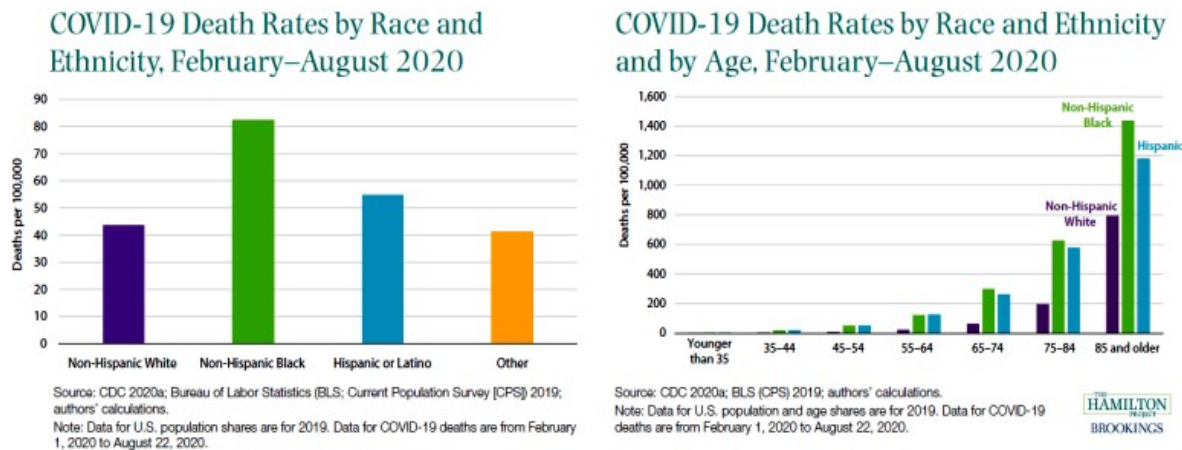


Source: USA Facts 2020; authors' calculations.
 Note: Data represent the number of deaths reported to be caused by COVID-19, on a weekly basis. Data are shown from February 23, 2020, to August 29, 2020. Each region was calculated using included deaths by county, as well as unallocated deaths in each state. The states are ordered by date of peak: New York/New Jersey (Week 16), New England (Week 17), Rocky Mountain (Week 17), Great Lakes (Week 18), Midwest (Week 19), Plains (Week 19), Southwest (Week 21), Far West (Week 21), Southeast (Week 23).

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Source: Bauer, et al. 2020

Figure 15. COVID-19 death rates by race, ethnicity and age, February to August 2020



Source: CDC 2020a; Bureau of Labor Statistics (BLS; Current Population Survey [CPS] 2019; authors' calculations.
 Note: Data for U.S. population shares are for 2019. Data for COVID-19 deaths are from February 1, 2020 to August 22, 2020.

Source: CDC 2020a; BLS (CPS) 2019; authors' calculations.
 Note: Data for U.S. population and age shares are for 2019. Data for COVID-19 deaths are from February 1, 2020 to August 22, 2020.

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Source: Bauer, et al. 2020

2. Impact of Brexit and Corona Crisis on the Transatlantic Partnership

2.1 The Impact of Brexit on the Transatlantic Partnership

Brexit will cause in the medium and long term a major negative shock, not just to the UK and EU. Also, the EU 27 might play a new role in the debate over, and practice of, the reform of world order after Brexit (Higgott R. (2021). Already for a long time, the EU had a growing interest and engagement not only in China but with North-East Asia as a whole, driven by the post-colonial commitments of the UK and France and the mainly commercial interests of Germany. Moreover, Washington exerts increasing pressure on the EU to take sides in its rising tensions with China. Therefore, also China's neighbours have been watching closely how London and Brussels respond to the US demand and how they manage their future relations with the region³⁰.

The political and economic fallout of Brexit will affect the rest of the OECD too, including the USA, although to a much lesser extent. Traditionally, Britain has been used as a gateway or steppingstone for American businesses intending to trade or invest in the EU. Brexit will force many US companies to pay double tariffs on goods exported to the UK and then re-exported to the EU³¹.

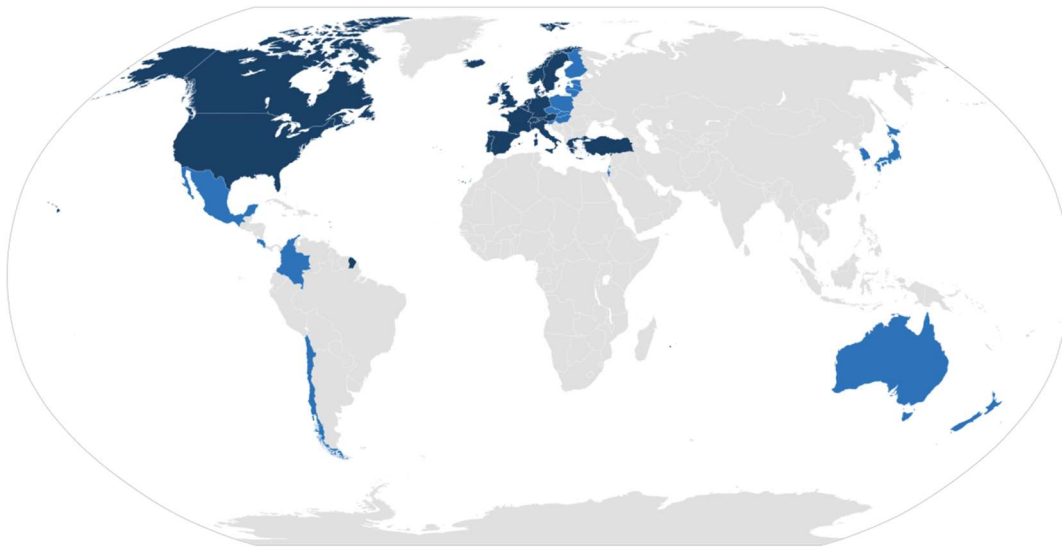
However, Brexit might reveal as a driver of populist nationalism and a Balkanization of post-Brexit Europe and beyond, including authoritarianism and illegitimate interference into the political electoral process.

³⁰ Higgott, R. (2021) The USA-East Asia and the Struggle to Reform World Order: What Role for Europe and the UK After Brexit? In: Reilly M., Lee CY. (eds.) A new beginning or more of the same? Palgrave Macmillan, Singapore. https://doi.org/10.1007/978-981-15-9841-8_2

³¹ GoCardless (2020) What Brexit means for the USA: A small business guide. GoCardless.com, 31 January 2020

Because of a possible domino effect, more and more voters, notably the deprived and those threatened by the loss of social and economic status accelerated by the predicted Brexit induced economic downturn, could develop a mounting distrust of the political establishment. Then they become easy prey for gamblers like Donald Trump or Marine Le Pen who offer them facts and fancy, thereby undermining the very conditions of social, economic and political stability, a vicious circle, difficult to stop³². If the EU, one of the world's largest trading blocs, is gradually disintegrating, this could have repercussions on trade deals worldwide and promote global uncertainty³³.

Figure 16. Organisation for Economic Co-operation and Development (OECD)
OECD member states [dark blue]; founding member states [light blue]



Source: [OECD](#), Wikipedia

Last, but not least, Brexit might trigger self-interested and closed off national policies not only in the UK but also e.g. in Eastern Europe. This could result, similar to Trump's approach to international affairs, in a radicalization of political partisanship, denying climate change, cancelling the membership in the Paris Climate Agreement, withdrawal from the WHO and negotiations about a nuclear deal with Iran³⁴.

Besides, Europeans cannot hope for a return to the transatlantic security partnership of yesterday. Washington's call for increased burden-sharing concerning NATO and more European strategic autonomy won't cease (James, 2020). However, this corresponds also to the conservative nationalistic European security policy which has been implemented already in the French-led European Intervention Initiative, the British-French Combined Joint Expeditionary Force and the UK Joint Expeditionary Force³⁵.

Finally, Brexit could affect the migration of American's into the UK negatively. New immigration rules for non-UK nationals are likely to cause difficulties for any US companies with branches in the UK and the EU-27³⁶. Before Brexit, US immigrants had raised British GDP growth significantly³⁷. They had higher employment rates and also a better education than the average British employee. Also, they contributed to the public finances, despite relying on the British welfare system, with a net fiscal contribution of almost € 10,000 per household on average (2007-2009).

As for the stagnant TTIP negotiations, the Council of the European Union had granted the European Commission two negotiating mandates on April 15, 2019. Firstly, to (re) start negotiations with the USA on an agreement on the elimination of tariffs, on industrial products and an agreement on conformity assessment. Second, to sound areas of trade policy in which EU-US cooperation would be particularly effective, given joint

³² Foroohar, Rana (2016) Why Brexit really is a big deal for the U.S. Economy. Time.com, 27 June 2016

³³ Gillespie, Patrick (2016) How Brexit impacts the U.S. economy. CNN, Money Invest, 24 June 2016

³⁴ James, William (2020) Biden time for the transatlantic relationship? UK in a changing Europe, 26 Nov 2020

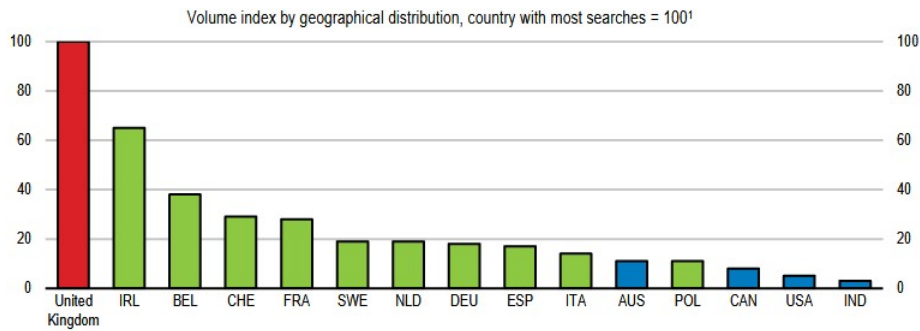
³⁵ James, William (2020): Biden time for the transatlantic relationship? UK in a changing Europe, 26 Nov 2020

³⁶ GoCardless (2020) What Brexit means for the USA: A small business guide. GoCardless.com, 31 January 2020

³⁷ Kierzenkowski, Rafal and Nigel Pain and Elena Rusticelli and Sanne Zwart (2016):The Economic consequences of Brexit: A taxing decision. OECD Economic Policy Papers

communications for a new transatlantic agenda presented after the last US elections by the EU-COM and the European External Action Service (EEAS) on 2 December 2020.

Figure 17. Brexit spillovers on USA trade ³⁸



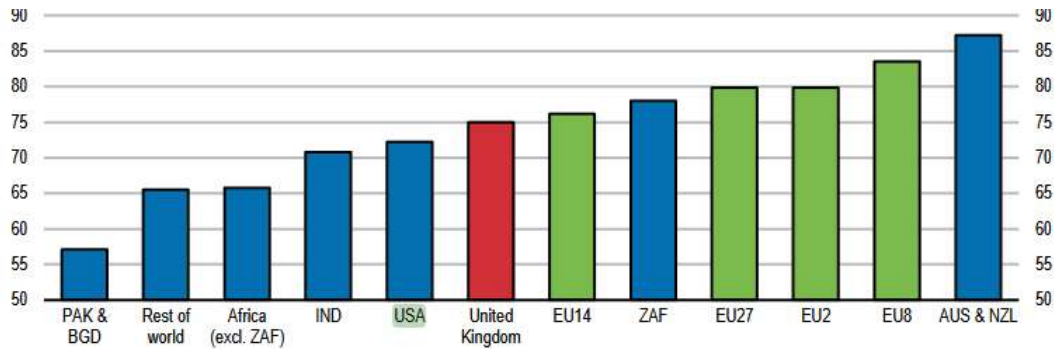
StatLink <http://dx.doi.org/10.1787/888933351033>

1. Adjusted for population size.

Source: Google Trends.

Source: Kierzenkowski *et al.* 2016

Figure 18. US immigrants employed in the UK (% of population aged 16-64, 2015)



Source: Kierzenkowski *et al.* 2016

Figure 19. Potential Trans-Atlantic Trade and Investment Partnership (TTIP) USA and EU-27



Source: [Ssolbergj](#), [TTIP](#) (Wikipedia)

³⁸ Related to Google searches for “Brexit” since October 2015

According to the president of the German Institute for Economic Research (DIW, Berlin), Marcel Fratzscher³⁹, a replacement for the failed TTIP agreement would strengthen Europe's position vis-à-vis China. In close consultations with Washington, Brussels should come to an agreement with the new US administration on how to deal with China. Therefore, the EU should rely on a new trade agreement with the USA in which the EU agrees on common standards that would then be globally binding. The best strategy for Europe would be to assert its interests in global system competition in a strong transatlantic partnership.

2.2 The Socio-Economic Impact of the COVID-19 Crisis on the Transatlantic Partnership

The COVID-19 pandemic has been characterized by European leaders as Europe's biggest challenge since the Second World War⁴⁰. Although it did not affect transatlantic relations directly, it added political divergences to already existing grievances and tensions, e.g. on the International Criminal Court, the Paris Climate Agreement, the nuclear deal with Iran and the relocation of the US embassy in Israel from Tel Aviv to Jerusalem⁴¹. The corona not only intensified nationalist and protectionist policies but fuelled also the geopolitical rivalry between the global players China and America⁴².

Trump's unlawful withdrawal from the WHO⁴³ on May 29, 2020, fortunately, revoked later on by Joe Biden, as well as his refusal to join an international vaccine effort of more than 170 nations, endangered not only the health and security of Americans but of the whole world, given the limitations of nationalist answers to the global spread of the pandemic. Instead, to overcome the pandemic, the US and EU should develop a transatlantic strategy to guarantee an early containment and alleviation of the crisis, notably because of a current fourth wave of the COVID-19 pandemic. Because the global spread of the virus is entangled inextricably with a response to other security challenges, like international migration and poverty alleviation, notably in Africa, this requires even stronger cooperation and a renewed sense of transatlantic solidarity between the two sides of the Atlantic⁴⁴. President Biden already pledged to enhance US-EU cooperation to defeat the pandemic and announced to contribute up to US\$ 4 bn for COVAX, a worldwide WHO-led initiative aimed at equitable access to COVID-19 vaccines also in developing countries⁴⁵.

Massive transshipping global problems, including the Transatlantic, seriously affected transatlantic retail trade. The pandemic lockdown suspended and reduced many economic activities and subsequently the volume of cargo being carried aboard container ships on the North American and European retail trade⁴⁶. Moreover, the already chaotic global container shipping market was hit since 12 August 2021, by the Corona induced suspension of container pick-up services at Zhoushan Port, the world's largest port in terms of cargo throughput. Also many major ports worldwide had been captured by the Delta variant virus and almost lost their ability to operate or risked trade abandonment like Chittagong, Bangladesh, responsible for more than 70 % of Bangladesh's cargo import and export. The same happened in other major South East Asian ports. Also, the US shipment was increasingly affected and the already extremely fragile global supply chain, e.g. in electronic chips, was burning hot.

The socio-economic impact of the pandemic on the EU and the US has been devastating. It had far-reaching political, social, and economic consequences beyond public health⁴⁷. Both partners need each other

³⁹ Fratzscher, Marcel (2021) Gescheitertes TTIP-Abkommen: DIW für neues Freihandelsabkommen mit USA (Interview, M. Fratzscher). Hamburg: DIE ZEIT (weekly), 23. Januar 2021

⁴⁰ Archick, K. and P. Belkin and S.E. Garding (2021) Europe, COVID-19, and US relations. *Current Politics and Economics of Europe*. Hauppauge, Bd. 32, issue 1, pp. 151-157

⁴¹ Arvanitopoulos, Constantine (2020) Transatlantic relations after the Covid-19 pandemic. *European View*, 6 December 2020, <https://doi.org/10.1177/1781685820975876>

⁴² Schmucker, Claudia (2020) The Effects of the COVID-19 Pandemic on US and European Commitment to the Multilateral Economic Order. Rome: Istituto Affari Internazionali (IAI)

⁴³ Gostin, Lawrence et al (2020) US withdrawal from WHO is unlawful and threatens global and US health and security. *The Lancet*, 9 July 2020

⁴⁴ Arvanitopoulos, Constantine (2020) Transatlantic relations after the Covid-19 pandemic. *European View*, 6 December 2020, <https://doi.org/10.1177/1781685820975876>

⁴⁵ Archick, K. and P. Belkin and S.E. Garding (2021) Europe, COVID-19, and US relations. *Current Politics and Economics of Europe*. Hauppauge, vol. 32, issue 1, pp. 151-157

⁴⁶ Valentine, Harry (2020) Multi-porting and container transshipment in the pandemic era. *The Maritime Executive*, 19 July 2020

⁴⁷ Archick, K. and P. Belkin and S.E. Garding (2021) Europe, COVID-19, and US relations. *Current Politics and Economics of Europe*. Hauppauge, vol. 32, issue 1, pp. 151-157

more than ever to cope with the covid crisis. Enhanced transatlantic cooperation to strengthen resilience would be required also in closely related areas of international relations, namely by an EU–US and UK–US trade agreement, a Visa Waiver Program, guarantees of Europe’s energy security, 5G technology and a joint EU-US approach vis à vis China⁴⁸.

Conclusion

Economists and economic literature agree that Brexit is likely to harm the UK’s economy, including a significant decrease in the UK’s real per capita income in the medium and long run. In contrast, proponents of the withdrawal of the UK from the EU, like Premier Boris Johnson, promise a glorious future and a ‘titanic success’. Whether Brexit will also bear on London’s new policy ‘Global Britain in a Competitive Age’, including its former colonies, is open to question. London continued to follow its high flying ambitions, not just concerning the CANZUK union, meant to replace the lost EU-market access, but also vis à vis India and other big global players of the Commonwealth as well as the USA. However, the prospects of these ambitious projects are questionable.

A particularly sensible case is the combined impact of Brexit and the COVID-19 pandemic on the US and future transatlantic relations. From a global perspective, the problem is less the socio-economic impact on individual countries and relations concerned, e.g. the UK, EU, US and the Transatlantic, but the overall geopolitical repercussions of Brexit in times of the Corona crisis. The US, the UK and the Western alliance, in general, run the risk of losing their vested global political and economic influence hitherto focussed on the Transatlantic. Given the fierce competition between major global players like the US, UK, EU and China, Brexit reinforces already existing tendencies that redounds to the advantage of a shift of their traditional hegemony in the sphere of transatlantic relations to the Asian-Pacific realm of power. Brexit thus may trigger a domino effect of populist nationalism in the West that will weaken in the medium and long run its geopolitical power position.

In short, Brexit is likely to harm not only the British. The post-Brexit impact on the US and transatlantic relations will be negative too, but probably only be felt in the medium and long term as well. However, the direct and indirect negative effects of the global COVID-19 crisis will by far outdo the Brexit impact.

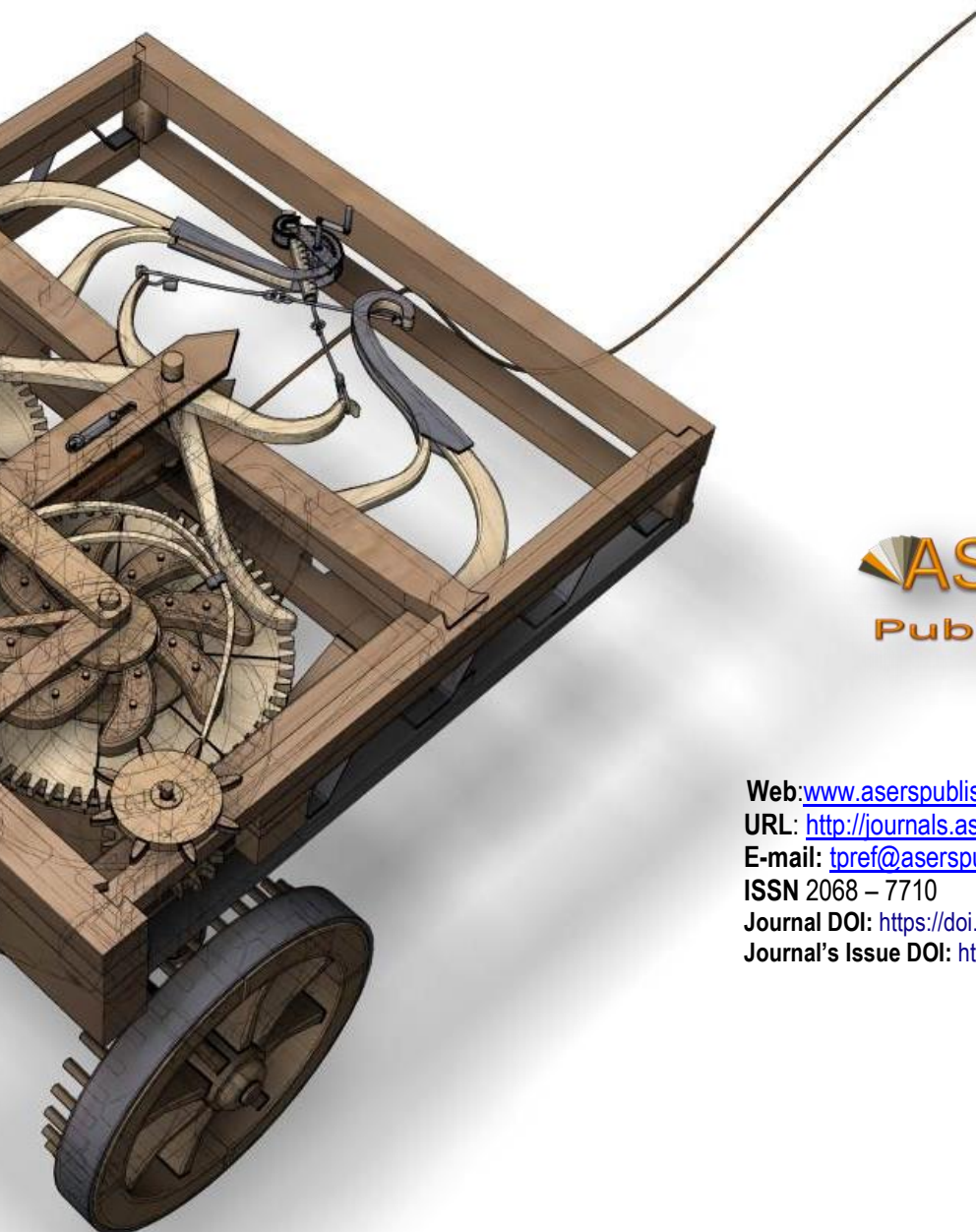
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⁴⁸ Carafano, J.J. and L. Coffey and N. Gardiner and A.T. Miller and K. Kitchen (2020) The US–European Economic Partnership Recovery Plan. Washington D.C.: Heritage Foundation, Special Report, No. 230, 8 May 2020

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