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2020 MEETING
RETROSPECTIVE

**REVIEW OF THE YEAR AND
2021 PROGRAMME LAUNCH**

WITH TOM NEWTON-DUNN

3 DECEMBER 2020, ONLINE



REVIEW OF THE YEAR AND 2021 PROGRAMME LAUNCH

WITH **TOM NEWTON-DUNN**, PRESENTER AND CHIEF POLITICAL COMMENTATOR, *TIMES RADIO*

This year, our end-of-year review and 2021 Programme Launch was very different from usual in that it was an online event rather than a formal event with after dinner speaker, but then 2020 has been an unusual year and 2021 is likely to be no less challenging. As our speaker **Tom Newton-Dunn** said, in his 25 years of political commentary, we have never gone into a new year with so many unknown variables.

Against this uncertain background, Tom focused on four key themes:

- The impact of Covid on UK politics;
- The economy and the likely speed of recovery;
- Brexit;
- The Biden presidency.

This paper is a summary of his remarks and the discussion with members which followed.

1. IMPACT OF COVID ON UK POLITICS

A year ago, nobody saw the pandemic coming. In December 2019, Boris Johnson was elected to "Get Brexit Done" and it was assumed by most that this would be the defining question of his early years in office. His 80 seat majority made him the most powerful Conservative prime minister since the 1980s.

The Covid pandemic changed his fortunes entirely. Many of his own MPs have now lost respect for him and the recent rebellions over lockdown measures suggest that, on some questions, he is leading a minority government again.

Having a Covid vaccine ready to go before the end of 2020 has been a huge feat. Health secretary Matt



Hancock described it as, "A day to remember in a year to forget." But the rollout and distribution are dependent on a number of complicating factors, not least of which is the capacity to store the vaccine at low temperatures. 30 million vaccines are planned in Phase 1 but it may take until the summer before a significant part of the population is vaccinated.

The speed and effectiveness of the Covid vaccine is likely to be the key factor in Boris Johnson's survival as prime minister. He is in a deep hole, with one of the highest death rates and worst economic shrinkage among the OECD countries. If prosperity returns and he is able to deliver his promises to the 'red wall' seats won from Labour at the last election, he is likely to survive. But the Tories are ruthless. As soon as they decide Boris Johnson can't deliver another election victory, they will get rid of him.

Keir Starmer has made a good start as opposition leader. His forensic style and grasp of detail means that he can trip the prime minister up easily. However, he cannot keep abstaining on the major issues over which his MPs are divided, such as whether to support the outcome of any new trade deal. Surprisingly Boris Johnson is still popular in the 'red wall' seats that Labour needs to win back if it is to have a hope of returning to power. Winning an election requires more than point-scoring in the Commons chamber. Boris Johnson is an effective campaigner and



communicator. Starmer still faces a significant challenge in making himself more popular on the campaign trail in those key seats.

The political situation in Scotland presents an existential threat to the United Kingdom. The SNP has gained further support during the Covid crisis. It is likely that they will win the forthcoming election for the Scottish Parliament and will claim the victory as a mandate to call another independence referendum. The Conservatives have no plan to deal with this. Some argue that they should simply refuse a referendum but this risks handing more political ammunition to the SNP. Either way, Boris Johnson is unlikely to be directly involved in any campaign. His reputation is toxic in Scotland and he will keep his distance.

2. THE ECONOMY AND THE RECOVERY

As with the political fortunes of the government, the speed of the recovery will be dictated by the length of time it takes to end the pandemic. Covid-19 has triggered the deepest recession for 200 years and the Office for Budget Responsibility (OBR) estimates a public deficit of nearly £400bn for 2020/21.

The increasing stock of debt is manageable while government borrowing costs are at a record low. Economists argue about how far and how quickly

interest rates on government debt are likely to rise but the possibility of it keeps chancellor Rishi Sunak awake at night. This is a source of tension between the chancellor and the prime minister. The chancellor is already making the case for fiscal consolidation and worries about what he sees as the prime minister's spendthrift tendencies.

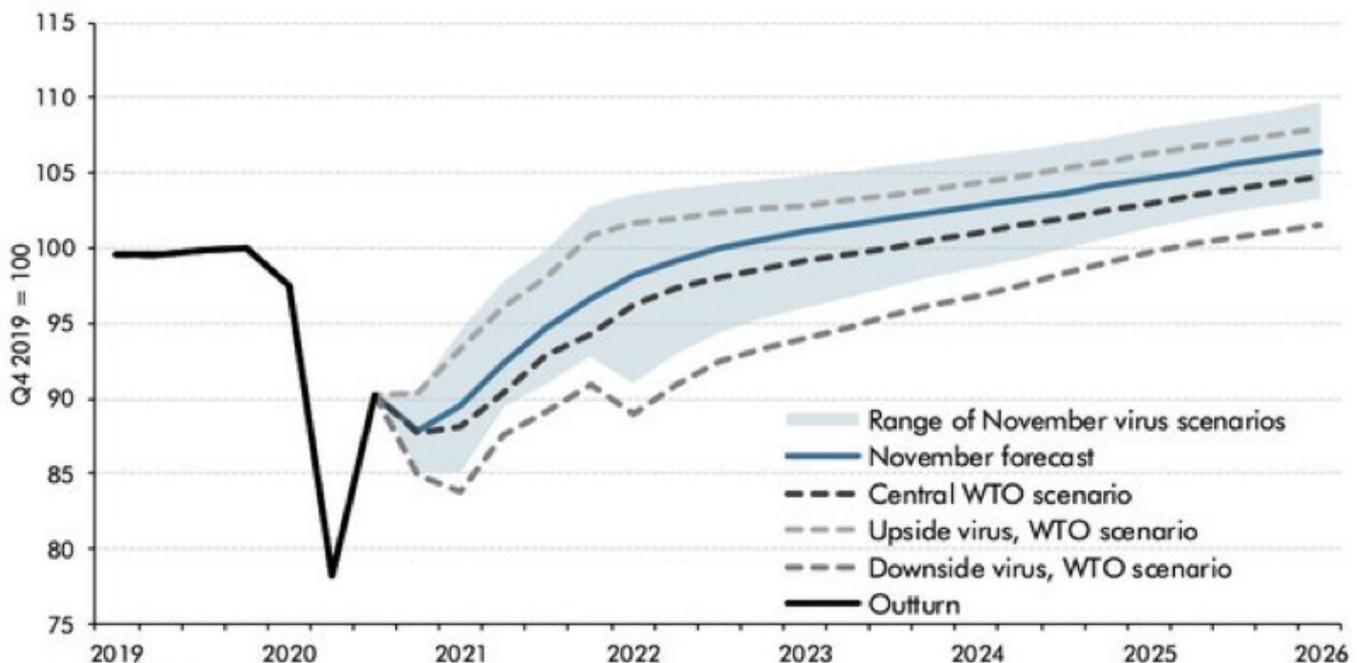
Forecasts for the economic recovery are very varied. The prospects of a V-shaped recovery (one in which the economy returns quickly to its pre-pandemic level) are fading, leaving the shape looking more like a tick or a square root. The length of the tail is dependent on the trajectory of the pandemic and the outcome on Brexit.

In the OBR's chart below, the range of recovery paths shown in light blue are reduced even further in the event of a no deal Brexit in which the UK trades with the EU on the baseline WTO terms. These scenarios are illustrated by the dotted lines. The dark blue line is the OBR's central forecast assuming a trade deal is reached; the black dotted line is the same forecast under WTO trading terms.

A quick end to the pandemic and a deal with the EU could therefore see the economy return to its 2019 level by the middle of 2021. A drawn out pandemic and no Brexit deal could postpone the recovery until deep into 2025. This is a huge spread of outcomes.

The picture is further complicated by the uneven impact of the recession on individual businesses. Some sectors

REAL GDP UNDER DIFFERENT SCENARIOS



Source: ONS, OBR



have barely suffered while for others the impact has been severe. The recovery is therefore likely to be hand-shaped, with the fingers representing the different recovery paths for different sectors.

The pandemic has also exacerbated existing social and economic divisions. The lower paid and the most economically disadvantaged areas have been hardest hit. Companies might do well to remember this. Large bonuses for senior executives at a time of such hardship are likely to cause tension.

One source of optimism is expounded by George Osborne's former chief of staff, now a portfolio manager at Black Rock, Rupert Harrison. He believes that many households have built up reserves due to reduced travel and limited spending opportunity. A return of confidence and the release of that money due to pent up demand could power a faster recovery.

3. BREXIT

A deal on Brexit might be closer than the news commentary would suggest. Both teams of negotiators are currently locked in a windowless room in a negotiating process described as 'the tunnel'.

The two sides are fairly close on many of the important questions, such as governance and the level playing field in regulation. The stumbling blocks are the economically small but politically symbolic issues, such as fishing. Here there is pressure on both sides. Emmanuel Macron is reluctant to give ground on fishing as Marine le Pen is making a political issue of it. For Boris Johnson, similar pressure is coming from the European Reform Group in his own party. There is a clear landing zone but it will require compromise on both sides which, in turn, depends on the internal politics.

Even so, it should be remembered that the OBR has said that Brexit is likely to mean a longer term 4% hit to GDP growth with a further 1.5% in the event of no deal. It could be argued, therefore, that some of the economic damage is already baked in, regardless of what happens during the negotiations.

The UK leaving the EU has emboldened those in the bloc who want to push for ever closer union. Not everyone is enthusiastic about the proposition. It is unlikely that Poland, Hungary or the Scandinavian countries will wish to be part of such a union. The emergence of a two or three tier Europe therefore looks more probable. This raises the intriguing possibility of the UK one day re-joining the outer tier.

4. THE BIDEN PRESIDENCY

The former cabinet secretary Mark Sedwill remarked, in an interview with Tom, that dealing with the US can be like "waltzing with a brontosaurus". It is likely to hurt if it steps on your toes.

Joe Biden's presidency is likely to be less erratic than that of Donald Trump. He believes in the globalist world order. He is not given to sudden, impulsive and unilateral actions. But he will inherit a deeply divided country.

In terms of foreign policy he is pro-EU and is likely to build relationships and seek the support of European powers for his agenda. He will probably want to revive the nuclear deal with Iran. That said, it is likely that he will continue the anti-China stance of his predecessor and take a tougher line with Russia. He will expect support from his allies on both counts.

Biden is likely to exert a moderating influence on Boris Johnson's government and others with similar populist leanings. By his style and actions, Donald Trump normalised audacious actions by leaders of governments. He made it OK to ignore precedent and break the system. Joe Biden believes in rules and governance. His influence is likely to see a return to a more measured form of politics.

Much is made of Joe Biden taking offence at Boris Johnson's remarks about Barack Obama but key Biden ally Senator Chris Coons has said that the incoming president is keen to build a strong relationship with the prime minister. A key area for co-operation will be climate change which Biden regards as a priority. This will come as good news to Boris Johnson who wants next year's UN Climate Change conference in Glasgow to be a success. Interestingly, the two men have never met.

It is also worth remembering that we still have 48 days of Donald Trump's presidency left. He still has time to do something that will make things difficult for Joe Biden. Pardoning himself before he leaves office, to avoid any future prosecution, is one scenario suggested by some commentators.

5. FINAL THOUGHTS

Everything depends on the virus. It will determine how quickly the economy recovers, how far the government regains its popularity and how many openings there are for its opponents to exploit. The speed at which the pandemic ends will dictate everything.



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REVIEW OF THE YEAR AND 2021 PROGRAMME LAUNCH

2021 PARC PROGRAMME

This meeting also saw the launch of PARC's programme for 2021. This is our most diverse ever programme – both in content and method of delivery. Our Programme combines the best of both worlds – 'face-to-face' and 'online' – building on the lessons learned in 2020.

All sessions will be highly accessible to a remote audience and will be designed to be as interactive as possible. The programme will be totally integrated with the new website.

At our first event, on 26 January 2021, Ed Carr, Deputy Editor of the *The Economist*, will give us his perspective on the new realities of global trade.

AVAILABLE HERE:



UPCOMING PARC EVENTS

The New Realities of Global Trade with Edward Carr, <i>The Economist</i>	Tuesday 26 January 12.00 – 13.00 ONLINE
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[✉ REGISTER BY EMAIL HERE](#)

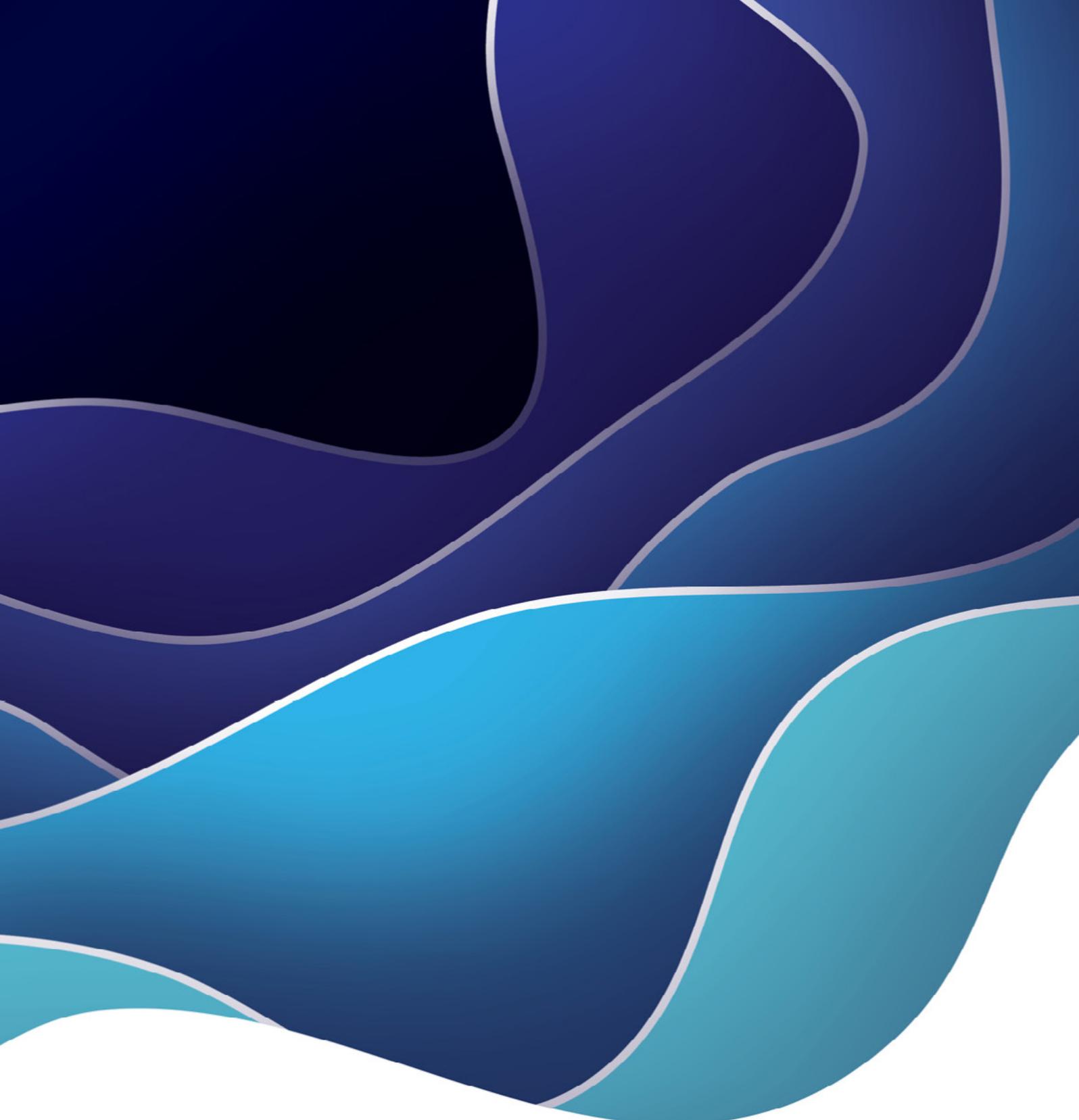
SPEAKER



TOM NEWTON-DUNN
Presenter and Chief Political Commentator, *Times Radio*

[✉ EMAIL](#)

Tom joined *The Daily Telegraph* as a Diary Reporter for the Peterborough column in 1996, moving to *The Daily Mirror* to join its graduate trainee scheme the next year. He spent several years as a *Mirror News* Reporter, before being made the paper's Defence Correspondent after the 9/11 attacks, covering the Afghanistan and Iraq Wars. In 2004, he moved to *The Sun* as the paper's Defence Editor, being promoted to Political Editor in 2009, although remaining involved in the title's defence coverage. He is a regular broadcast commentator on politics, a panel member of BBC 2's *Sunday Politics* programme, hosts *BBC Radio 4's The Week in Westminster*, has been a panelist on *Any Questions?* and reviews the papers on *Sky News*. Before the programme's demise he hosted *What the Papers Say*.



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