

# *The New European Union*

*How Brexit Resets the U.S.-EU Relationship*



Samson Atlantic



The  
International  
Trade Association  
of Greater Chicago

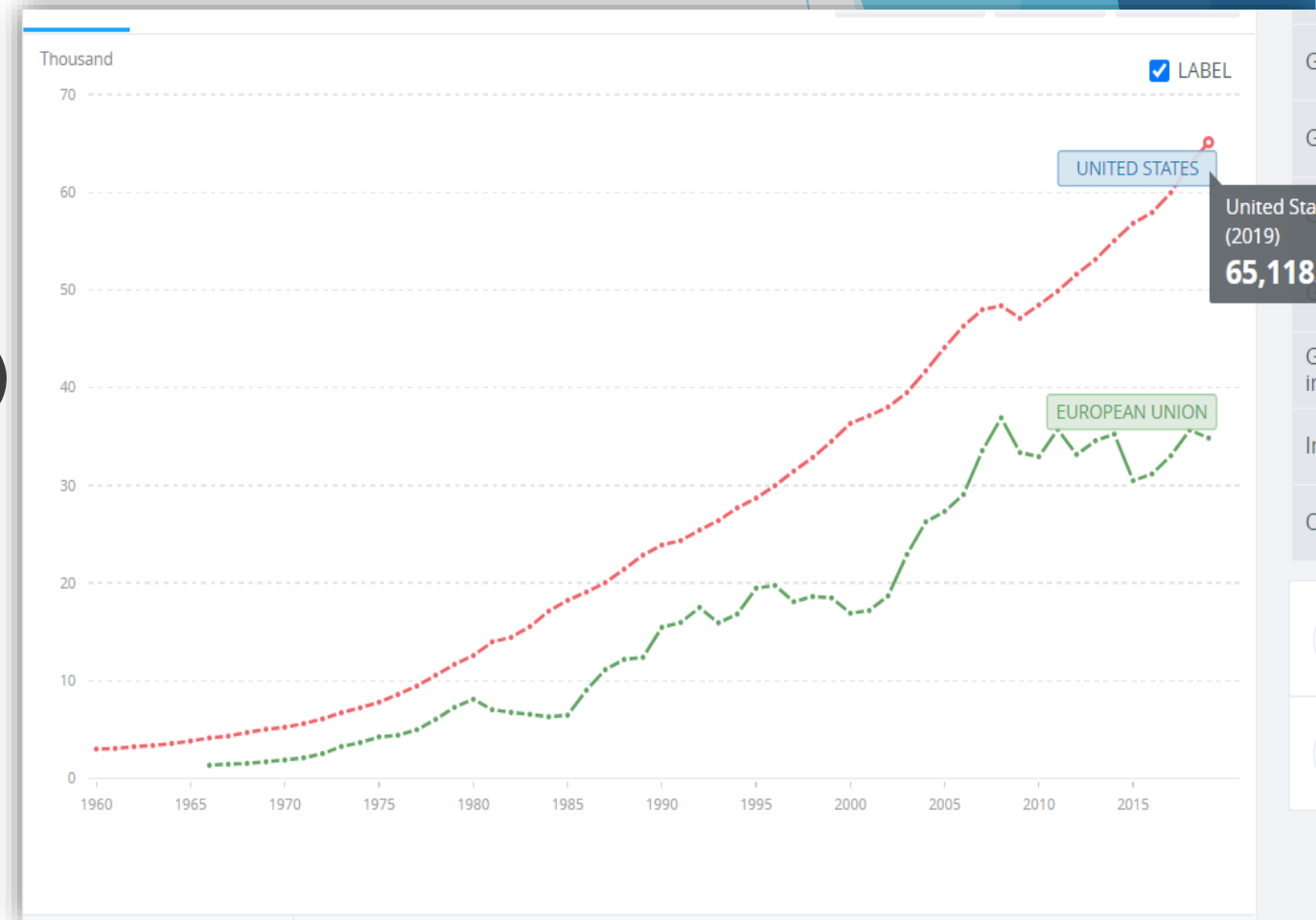
## Roadmap:

- The EU in numbers
- What Brexit means for the EU
  - U.S. and EU divergence
  - Challenges to the EU
- Market forecast and advice



# The EU in numbers (post-Brexit)

- ▶ Population: 446 million (UK 66) U.S. is 328 million
- ▶ Member States: 27
- ▶ Projected 2020 GDP (cf. U.S.)
  - ▶ **16.7 trillion US\$ (20.4 trillion US\$)**
- ▶ GDP per capita (cf. U.S.)
  - ▶ **\$34k (\$65k)**





## UK left the EU on 31 January 2020

Currently in a 'transition period' until December 31, 2020 to negotiate agreements

### Major challenges:

- Divergence from EU norms / regulations
  - environment, labor law, state aid, tax.
- Security
  - European Convention on Human Rights
  - Police, judicial cooperation
- Fisheries





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## The United Kingdom represented:

### ▶ 13 % of EU population

England: 55 million

Scotland: 5.5 million

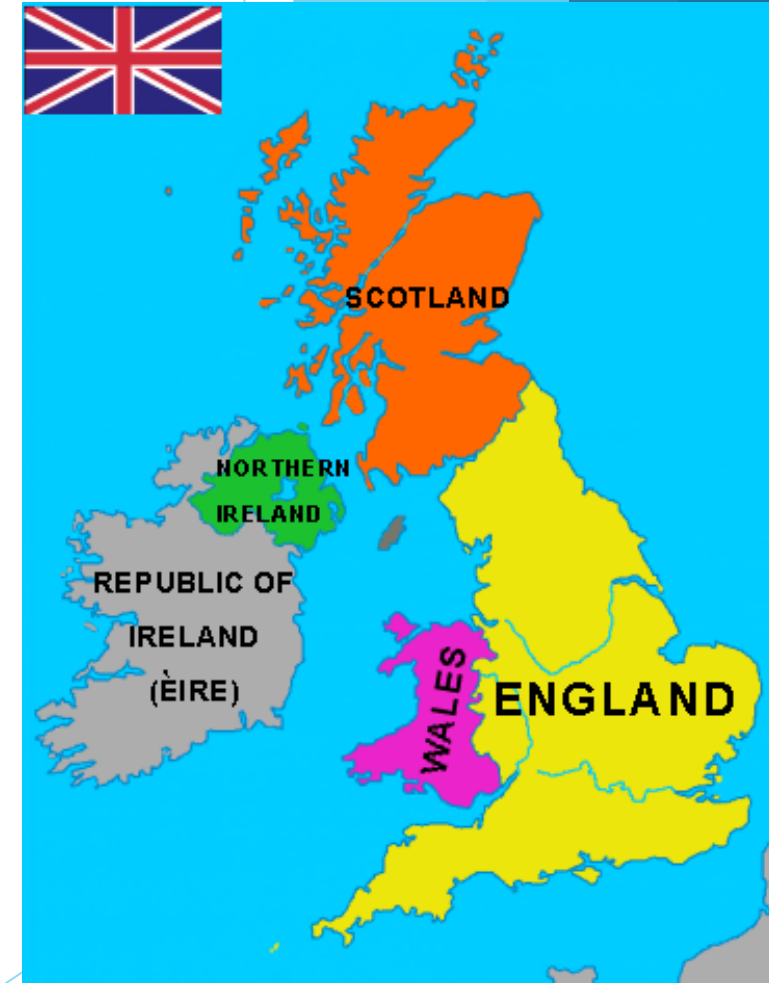
Wales: 3 million

N. Ireland: 1.8 million

### ▶ 15 % of EU GDP

### ▶ The world's 6<sup>th</sup> largest economy

### ▶ 3.1% of US market for exports





France and Germany generate over 40% of the EU's GDP post-Brexit

Special  
**European Council**  
17-18-19-20 July 2020

**Repair  
Reform  
Remodel**



# Three Ws of the 'new' European Union

- ▶ When
  - ▶ Last EU elections in May 2019, 5 year term.
- ▶ Who is in charge?
  - ▶ **Ursula von der Leyen – President of the European Commission**
  - ▶ **Charles Michel – President of the European Council**
  - ▶ **Christine Lagarde – President of the European Central Bank (ECB)**
- ▶ What are their goals?
  - ▶ Post-Brexit unity. Enlargement largely on hold.
  - ▶ Resolving Poland, Hungary challenges.
  - ▶ Economic recovery post-pandemic.





# U.S. - EU trade negotiations

- ▶ August deal announced ‘worth hundreds of millions’:
  - ▶ US **lobster** exports (circa \$111 million)
  - ▶ EU imports circa \$160 million (including certain prepared meals, certain crystal glassware, surface preparations, propellant powders, cigarette lighters and lighter parts)



Former Latvian prime minister Valdis Dombrovskis has been named the EU's top trade chief. /Aris Oikonomou / AFP



# The growing battle over tech...

- ▶ At both the EU and national level (esp. France) there is a keen interest in taxing ‘tech giants’
  - ▶ Google / Facebook / Apple / Amazon
  - ▶ US threatened ‘100% tariffs’ on French goods, delaying it’s application
  - ▶ Tech giants merely pushed this to customers and vendors.
  - ▶ Competition and tax cases against U.S. firms in EU.
  - ▶ EU attempting to nurture / protect growing tech industries.

## *‘This Is a New Phase’: Europe Shifts Tactics to Limit Tech’s Power*

The region’s lawmakers and regulators are taking direct aim at Amazon, Facebook, Google and Apple in a series of proposed laws.

### Margrethe Vestager gets second term in EU competition job

Dane has won renown for taking on tech firms, upsetting Donald Trump in the process



...is also an existential battle for the future of the EU.

- ▶ EU forging a third path between the U.S. and China.
- ▶ Human Rights (Hong Kong, Uighurs)
- ▶ Belt and Road Initiative
- ▶ 5G technology, automotive industry,



## The U.S. and Europe Are Speaking a Different Language on China

Dire American warnings about the threat from Beijing fall on deaf ears at the Munich Security Conference.

EU digital protectionism risks damaging ties with the US

Both sides should focus on the existential challenge of China

# European companies' exposure to China

Companies in Europe are highly reliant on China for revenue, with the consumer goods sector particularly exposed.

## EXPOSURE BY SECTOR

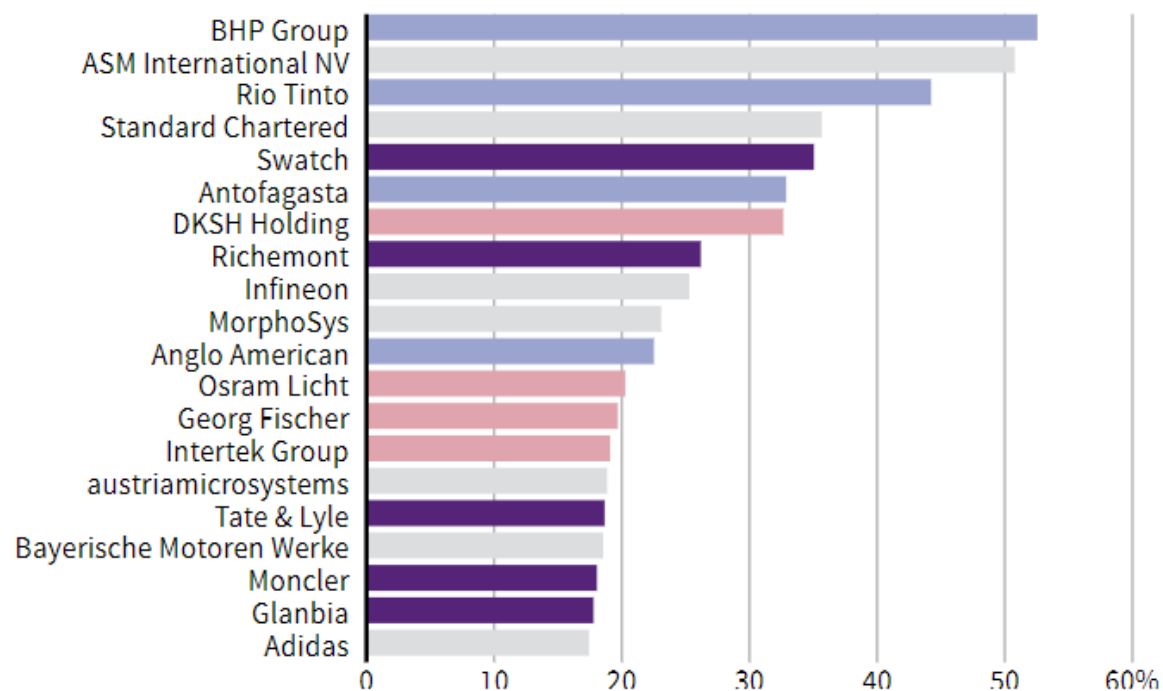
Stoxx 600 companies' revenue from China by sector in billion euros

■ Consumer ■ Energy ■ Industrials ■ Basic materials ■ Other



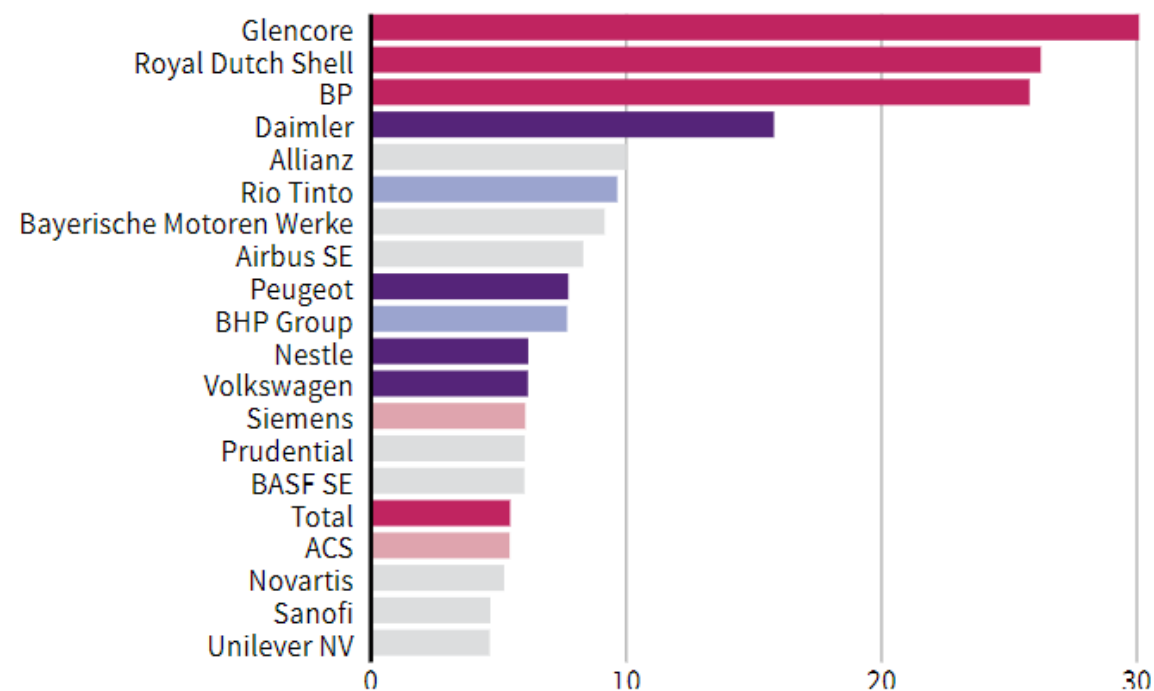
## TOP 20 COMPANIES BY EXPOSURE

Revenue from China, as a percent of total revenue



## TOP 20 COMPANIES BY REVENUE

Revenue from China, in billion euros



# Nothing quiet on the Eastern Front

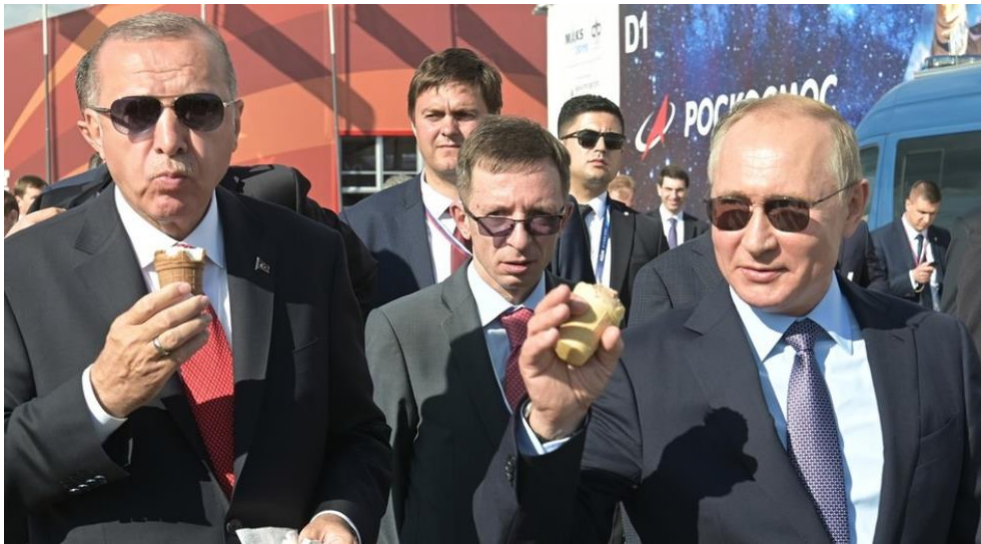
The EU is fighting internal battles but Russia and Turkey are also involved in their own political machinations which disrupt the stability of the union.

Turkey

- ▶ Greece
- ▶ Libya

Russia

- ▶ Belarus
- ▶ Ukraine
- ▶ Moldova
- ▶ Serbia / Balkans
- ▶ Syria



# Turkish stability?



USDTRY 1.7750 -0.0139 (-0.78%)



# Russia

- ▶ Putin has secured authority via a constitutional change to run the country through 2036. He initially took power in 2000.
- ▶ EU and member state election interference
- ▶ RT (Russian state-owned television) broadcasts in Spanish, French, German and English
  - ▶ 45+ million viewers in the EU, more than France 24



## EU warns of pro-Kremlin disinformation campaign on coronavirus

Internal report says effort aims to destroy confidence in west's response to pandemic

LIVE RT GOOD FAKE NEWS?  
NEW YORK 15 18 WIKILEAKS: CIA USES 'FALSE FINGERPRINTS' OF FOREIGN INTERFERENCE



# Internal challenges to the EU

CORONAVIRUS: COVID-19

## The EU Watches as Hungary Kills Democracy

The bloc's failure to curb the country's democratic decline suggests that it may not have much power at a

YASMEEN SERHAN APRIL 2, 2020



## Dutch court: Polish judiciary no longer independent

Court of Justice of the EU asked if the extradition of Polish suspect under the European Arrest Warrant must be halted.

By ELINE SCHAART AND ZOSIA WANAT | 7/31/20, 6:03 PM CET | Updated 7/31/20, 6:05 CET

Polish courts are no longer independent from its government and parliament, a Dutch court said Friday.

Europe's Failure to Protect Liberty in Hungary



# Looking ahead - the 10 year horizon

- ▶ The new EU's leadership has proven capable
- ▶ UK-EU relations will remain competitive
- ▶ Turkey is not able to project power over the long-term
- ▶ Russia will continue to exert influence and attempt to split the Western alliance
- ▶ EU will position itself as a relative neutral in the U.S.-China conflict



You just watched his team's jaws drop to the floor.

## Most Popular Bets

- For Independence (4/5)
- Against Independence (10/11)
- Stay (8/11)
- Leave (6/4)



# EU will push hard to increase spending on innovation and tech



## EU bets on industrial data, new rules to catch up in global tech

Foo Yun Chee

4 MIN READ



BRUSSELS (Reuters) - The European Commission plans to create a single European market for data, hoping that pooling the region's deep industrial expertise will help build technology powerhouses to catch up with Silicon Valley and state-backed Chinese heavyweights.

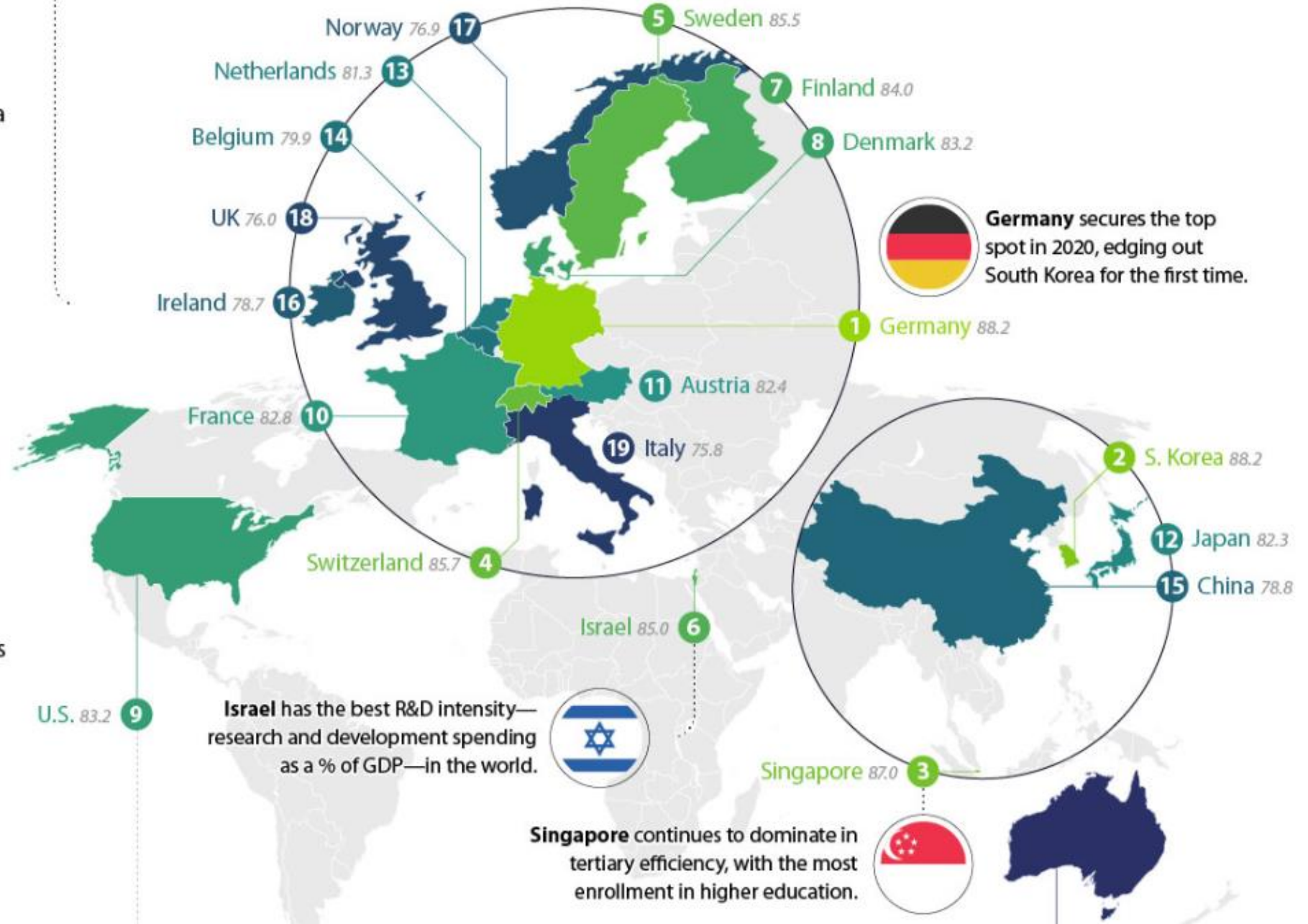
**Making Europe's businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe**



**Ireland** scores the highest on both manufacturing value-added and productivity metrics, measured in terms of Gross Domestic Product (GDP).

Rank

- 1 Germany
- 2 South Korea
- 3 Singapore
- 4 Switzerland
- 5 Sweden
- 6 Israel
- 7 Finland
- 8 Denmark
- 9 U.S.
- 10 France
- 11 Austria
- 12 Japan
- 13 Netherlands
- 14 Belgium
- 15 China
- 16 Ireland
- 17 Norway
- 18 UK



# Questions!

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