

The socio-economic impact of Brexit on CANZUK and the Anglosphere in times of Corona: The case of Canada, Australia and New Zealand

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The socio-economic impact of Brexit on CANZUK and the Anglosphere in times of Corona:

The case of Canada, Australia and New Zealand

Dirk Kohnert ¹



'Britannia as Miss Havisham' Source: The Guardian / Olusoga, 2017

Abstract: Although Britain has been one of the hardest hit among the EU member states by the corona pandemic, Boris Johnson left the EU at the end of 2020. Brexit supporters endorsed the idea of CANZUK, i.e. a union between the UK, Canada, Australia and New Zealand. 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. It is rather doubtful whether the CANZUK members can realize Boris Johnson's vision of prosperous trade in the 'Anglosphere'. Besides, there are many open questions, notably on the overall effect of Brexit on CANZUK concerning the socio-economic impact of the global Corona crisis. Last, but not least, will the relative weight of the UK vis à vis other global players like China and India diminish in the medium and long run. After all, the new global focus of international trade will be reallocated from the Atlantic (America and Europe) to the Asian Pacific region, the key player in world economies to come.

Keywords: Brexit, COVID-19-pandemic, CANZUK, Canada, Australia, New Zealand, United Kingdom, international trade, customs union, Anglosphere, settler colonialism, white dominions

JEL-code: F13, F15, F22, F52, F68, I14, N1, N40, O24, O5, Z13

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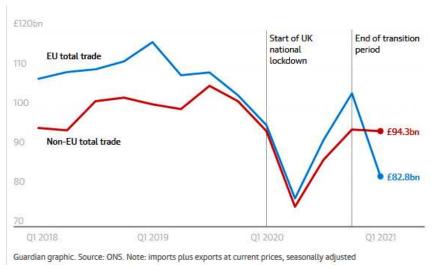
¹ Dirk Kohnert, associated expert at the Institute of African Affairs, GIGA, Hamburg. *Draft:* 26 May 2021.

² Cartoon by Dominic McKenzie, satirizing concepts of the ,Anglosphere and CANZUK. <u>Dom McKenzie</u> is an internationally renowned artist and cartoonist. *Miss Havisham* is a legendary character in Charles Dicken's novel *Great Expectations* (1861), portrayed as a wealthy spinster, once rejected at the altar just before marriage, who insisted on wearing her wedding dress for the rest of her life (see <u>Miss Havisham</u>, wikipedia).

Introduction

On 31 January 2020, the United Kingdom's membership of the European Union ended 47 years after it joined, as administered by the withdrawal agreement signed on January 24, 2020. The agreement provided for a transition period until December 31, 2020, to renegotiate the long-term relationship between the United Kingdom (UK) and the European Union (EU). According to the most recent figures of the British Central Statistical Office (CSO), the Brexit caused a substantial plunge in EU-UK trade, falling by 23.1 % compared to the first quarter of 2018, the last quarter that had been relatively stable before Brexit and the Corona crisis. At the same time, China replaced Germany as UK's biggest single import market. UK's goods imports from China increased by 66 % since 2018 to £ 16.9 bn in the first quarter of 2021, whereas UK imports from Germany fell to £ 12.5 bn. Till then, Germany had been the UK's most prominent import market. The fact, that UK's trade with countries outside the EU fell by just 0.8 % over the same period, indicated that most of the decrease was due to the impact of Brexit and not the COVID-19 pandemic (Partington, 2021).

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



Source: The Guardian, Partington, 2021

Brexiteer arguments, as well as Corona-ideologists reasoning, centred on fantasies about British supremacy in matters of international trade (Brexit) and its scientific and inventive genius to cope with the pandemic. Both with lots of allusions to the Second World War. However, the wartime analogy was deeply misleading because Brexit involved the breaking up of the regulatory and customs market and would open the British market not only to European producers but to those from all over the 'Anglosphere'. The mythical picture of British superior innovative capacity applied also to Brexiteer arguments that hinge on the UK's supposed leadership in creativity and innovation (Edgerton, 2020), as well as the notion that the British had no need of Europeans, or that at least "they need us more than we need them" (English, 2020). On the contrary, Brexit could wreck the UK's chance of leading Covid-19 global research. Nobel scientists, like Sir Andre Geim at Manchester University, warned that Britain will lose 'superpower' status if access would be barred to the EU's € 100 bn (£85 bn) research funding scheme, *Horizon Europe*, which will run from 2021 to 2027. Since the start of the current EU scheme, *Horizon 2020* (which will be succeeded by *Horizon Europe*), the UK has received more than £ 1.5 bn in ERC income and £ 776 m in MSCA

(*Marie Skłodowska Curie Actions*) grants – more than any other EU country, and a fifth of the total (Helm & McKie, 2020).

©**2**

Map 1: The CANZUK trade bloc: Canada, Australia, New Zealand, UK

Source: Deutsche Welle, Martin, 2020

To return to the Brexit question, it is still open to question whether Britain's pious wishes concerning the replacement of the EU internal market by extended links to its former Commonwealth and US markets will realise. London itself was rather cautious. It estimated in early March 2020 that for example enhanced bilateral trade with the US could result in rather modest prosperity, by its own GDP increasing between 0.07% and 0.16%, but only after around 15 years. But still, the United States was only the second-largest British trading partner after the EU. Moreover, the British government has been up to date opposed to American wishes, like a complete opening of agriculture for American investors and access to Britain's cherished National Health Service (NHS) for US pharmaceutical manufacturers (Triebe, 2020). Whether London's ambitions concerning the opening-up of markets in its former 'white dominions' of the three CANZUK states (beside GB), i.e. Canada, Australia and New Zealand, will be more promising, is even more doubtful, because these former colonies have their own agenda which does not necessarily match with that of the UK.

The CANZUK union conception was first coined by William David McIntyre (1966: 339), a New Zealand historian, in 1966 as an approach to counter the USA on more equal terms. But the proposal gained momentum only with the Brexit vote in 2016 (Lui, 2021). The concept was backed mainly by British and Canadian conservatives. Member countries share many political, economic and cultural similarities. Thus, English is their official language, they practice democratic ways of life, based on the Westminster parliamentary system, and they belong to the industrialized, high-income countries. CANZUK countries combined trade amounts to about £ 2.5 trillion, and their joined GDP and National Wealth ranking would be 3rd worldwide (Lui, 2021; CANZUK, Wikipedia). Advocates saw CANZUK already as the second most powerful geopolitical union in the world behind the EU, including three of the world's top 15 economies (UK, CA, AUS). They believed the pact would have the potential to become an alliance bound together by trade, migration, and security ties (Gamble, 2021). Supporters hold that CANZUK would quite possibly become the fourth-largest economic power behind China and include more than 136 million people. Moreover, the block would

have the world's largest landmass and therefore a rich (potential) reservoir of natural resources (Martin, 2020).

EU 10.78

Canada 10.78

Australia 9.99

New Zealand 1.47

Source: UK Office for National Statistics

Table 1: UK exports, 2019, in billion pounds

Source: Deutsche Welle, Martin, 2020

However, economist like Iain Begg from the European Institute at the London School of Economics, cautioned that the new trade deal with Brussels might cost the UK a GDP cut by 5 % over the next 15 years and that CANZUK could in no way compensate for EU market access. Before Brexit, the EU was the largest UK trading partner, accounting for 47 % of Britain's total trade, whereas Canada, Australia and New Zealand together accounted for just 3.5%. Moreover, the long distance between CANZUK member states would c.p. increase the cost of trade, compared to neighbouring EU states. The economic gravity equation for trade, which postulates that the amount of trade depends positively on the size of two countries' economies, but negatively on the distance between them, implies that even if the UK could get similar trade terms with CANZUK members as it had as part of the EU customs union with common external tariffs, this would be of far less value to the UK, not the least, because of non-tariff frictions (Krugman, 2018).

To give an example, I. Begg pointed at the EU automotive industry, where components of finished cars exported from the UK crossed borders six or seven times in the process of manufacturing, which would be more costly at very long distances (Martin, 2020). Last, but not least, the increasing rivalry between China and other Asian countries like Australia could weaken the prospects of CANZUK seriously by countering the rules-based international order and trade regimes. Recently Beijing punished for example Australia because of Canberra's call for an inquiry into the origins of the COVID-19 pandemic with a ban on Australian imports. Likewise, Beijing threatened Britain with consequences after accusing the country of interfering in the Hong Kong pro-democracy movement (Martin, 2020). Finally, controversial ethical considerations are to be considered because the 'Anglosphere' concept, the base of the CANZUK proposal, dates back to Victorian ideals and settler colonialism, related to the socalled 'White Dominions' (Lui, 2021; Olusoga, 2017; Gamble, 2021). However, imperial modes of thought are not restricted to Brexiteers. They shaped the views of pro-Europeans, as well. Visions of 'Global Britain' in general minimise the significance of decolonisation and they form a common cultural inheritance of English voters (Saunders, 2020). Also, Brexiteers maintained that they did not want an isolated, but an open, global-acting and sovereign Britain with its own trade and security deals, like Canada or Australia, and not to be restricted

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³ i.e. Canada, Australia, New Zealand, Ireland and Apartheid South Africa with their large populations of European descent.

anymore by EU rules. But the latter are by far less integrated into international trade and investment with the EU than GB.

Moreover, the UK share in exports to the Anglosphere's economies declined steadily since the 'glorious' colonial times, from 36 % in 1949 to 2.5 % in 2017. The intra-Anglosphere trade dropped as well from about two-thirds of total trade in 1947 to one third in 2017 (Gamble, 2021: 111). Equally, the recent application of London to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), a grouping of eleven Asian countries bordering the Pacific, is met with scepticism, considering that CPTPP countries account for less than 10 % of the UK's exports and the UK-government has already agreements with most of these countries. Hence, the net benefit added is doubtful (Ruyter, 2021). Finally, with Brexit, Britain's vision of a 'special relationship' with the US, the UK being a bridge between Europe and America, becomes less attractive, because Britain's value for the US as a significant global player diminishes with the UK leaving the EU (Gamble, 2021:111). Therefore, the Governor of the Bank of England, Andrew Bailey, maintained recently that the economic effect of a no-deal Brexit would be even more severe than the Corona crisis (Boscia, 2020; Gamble, 2021:111).

UK companies on the other hand apparently had a more realistic view and seemed to have been well aware of the looming risk. They voted already before the Corona crisis with their money, sharp tongues would maintain, like rats deserting a sinking ship. However that may be, the 'Leave-vote' had led British firms already by March 2019 to increase the number of UK outward investment transactions in the remaining EU-27 by 17 %, whereas transactions in non-EU OECD countries remained unaffected. On the other hand, the number of EU-27 investment projects in the UK declined only by around 9 %, which suggests that the UK would be more exposed to the costs of economic disintegration than the remaining EU member states (Breinlich et al 2020). Moreover, the Brexit-related uncertainty led to a loss of market value of international firms most exposed to Brexit as well as reduced hiring and investments, because international firms overwhelmingly expected negative direct effects from Brexit. Especially, firms expected difficulties from regulatory divergence, reduced labour mobility, and limited trade access (Hassan et al 2021).

Whether London's ambitions concerning the opening-up of global markets will be more promising is even more doubtful because the remaining EU-27 does not lie low.

Table 2: cumulative confirmed COVID-19 cases per million, 22 May 2021

Country	COVID-19 cases	COVID-19 death	Global rank ⁴
UK:	65,938	1885	7
Canada:	36,127	667	22
Australia :	29,300	910	121
New Zealand :	2,662	26	180
Median:	18,652	351	

Source: D. Kohnert; ourworldindata.org.

Moreover, Britain has been hit by the COVID-19 pandemic far more severe than the other CANZUK member states. In November 2020, the UK had to deplore the highest COVID-19 related death toll in Europe (COVID-19 pandemic in the United Kingdom, Wikipedia). At the

⁴ The global ranking is only of limited value because various crucial variables are not considered, including climate, population density, GDP per capita, resource availability (including vaccines), infrastructure etc.

same time, the British treasury revealed that the country would probably experience the worst slump in 300 years due to the impact of the Corona crisis, with GDP decreasing by 11.3 % in 2020 and an unemployment rate of up to 7.5 % in 2021 (Morales & Goodman, 2020; Economic impact of the COVID-19 pandemic in the UK, Wikipedia). Moreover, the COVID-19 pandemic had severe social, political and cultural implications (Social impact of the COVID-19 pandemic in the UK, Wikipedia).

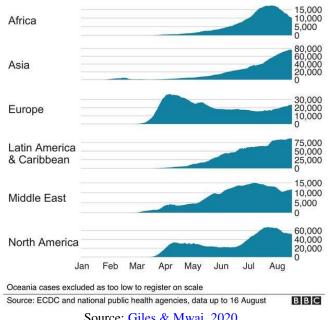
United Kingdom 120,000 100,000 80,000 60,000 40,000 20,000 Mar 1, 2020 Aug 8, 2020 Nov 16, 2020 Feb 24, 2021 May 22, 2021 urce: Johns Hookins University CSSE COVID-19 Data CCBY Mar 1, 2020 O May 22, 2021

Graph 2: Cumulative confirmed COVID-19 deaths by country

Source: ourworldindata.org.

In short, it is already questionable whether the UK will be able to pull itself up by its bootstraps out of the Corona crisis after the Brexit-leave without the tried and tested cooperation with the EU. Whether Britain, on its own, will have the additional power to assist its CANZUK allies to cope not only with the consequences of the corona-pandemic but also with the impact of the Brexit is even more unlikely.

Graph 3: Covid-19 outbreak compared, different continents number of cases per day, seven day rolling average. Each region on its own scale.



Source: Giles & Mwai, 2020

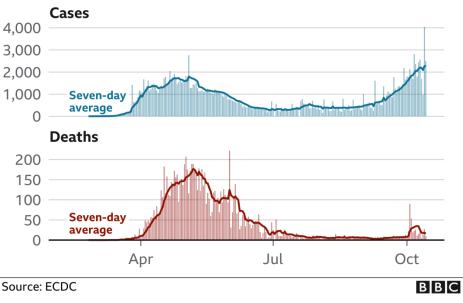
In the following sections a more detailed analysis of the combined effects of the Corona pandemic and Brexit on CANZUK member states will be given, taking the example of Canada, Australia and New Zealand, with special emphasis on the impact on the most disadvantaged social strata of society.

Canada

(1) Socio-economic impact of the *Corona* -pandemic on Canada

When Canada recorded a nation-wide spike in COVID-19 cases, hospitalization and death during the second Corona wave, following the Christmas holidays in December 2002 and January 2021, heavy restrictions of democratic rights and public activities, including lockdowns and curfews, had to be put in place in a way unmatched in Canada's post-war history. At least by now, it became evident how important a basic consensus from all walks of life was on the inevitably of these restrictions to contain the pandemic and to protect others.

Fortunately, both Canadian political elites and the general public agreed in a cross-partisan consensus on crucial questions related to the Corona pandemic, such as its seriousness and the necessity of social distancing (Merkley et al, 2020). This was all the more striking, as in the neighbouring US a deep divide between polarized political camps affected also partisan views and handling of the crisis with corresponding negative repercussions.

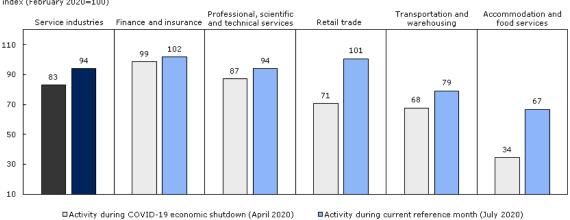


Graph 4: Daily cases and death in Canada, April to Oct. 2020

When the report of the <u>Canadian Institute for Health Information</u>, Ottawa, revealed in June 2020, that the country had the worst record among <u>OECD</u> nations for COVID-19-related deaths in long-term care facilities for older people (CIHI 2020), this was considered by many Canadians as a "national disgrace" (Webster, 2021). In spring 2020, the army was called in to care homes after corona outbreaks in Quebec killed 3,890 residents and caused large numbers of staff illnesses and absences. Soldiers delivered basic services to the residents, while military physicians delivered medical care. According to experts, this disaster was at least partially due to the government's historical decision to exclude long-term care facilities from

the country's network of 13 provincial and territorial public health systems and the lack of government control, especially in privately owned, profit-oriented, privately owned long-term care facilities that accounted for 54 % of all these services (Webster, 2021).

Graph 5: Real GDP, expressed as % of pre-COVID-19 levels, selected service industries index (February 2020=100)



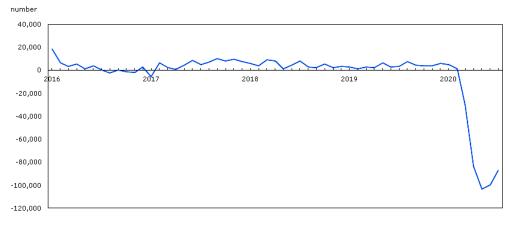
Source: Statistics Canada, table 36-10-0434-01

Source: Gellatly & McCormack, 2020

The pandemic impacted seriously on Canada's economy too, provoking a recession. Yet, mass layoffs of workers were largely prevented by the <u>Canada Emergency Wage Subsidy</u>. Nevertheless, Canada's unemployment rate rose to 13.5 % in May 2020, the highest since 1976 (Tencer, 2020; <u>COVID-19 pandemic in Canada</u>, Wikipedia). Tourism, accommodation and food sectors, as well as air travel, were hit especially hard due to travel restrictions. 44 % of Canadian households experienced some type of job loss up to April 2020. Applications for emergency benefits due to the pandemic reached 6 million. The <u>Toronto Stock Exchange</u> crashed (- 12 % on 12 March 2020), its biggest single-day decline since 1940 (<u>COVID-19 pandemic in Canada</u>, Wikipedia).

During the lockdown in April 2020, about 88,000 businesses that were operating the month before closed. The number of closures slowed to 36,500 in July, comparable to levels observed before the pandemic (Gellatly & McCormack, 2020).

Graph 6: Number of active businesses, year-over-year change, business sector



Source: Statistics Canada table 33-10-0270-01.

Source: COVID-19 Canada, April 2021

Cumulative confirmed cases by province in Canada Confirmed cases by province in Canada Alberta British Columbia Quebec Manitoba Alberta New Brunswick British Columbia Cumulative confirmed cases Newfoundland and Labrador Manitoha Northwest Territories Saskatchewan Nova Scotia Nova Scotia Ontario 38.3% 300k - Nunavut New Brunswick Newfoundland and Labrador Ontario Prince Edward Island Nunavut Quebec Prince Edward Island Repatriated travellers Saskatchewan Yukon 100 Repatriated travellers Yukon British Columbia 10.5% 0.00628% Northwest Territories 0.00934% Apr 2020 Jul 2020

Graph 7: COVID-19 cases by province in Canada

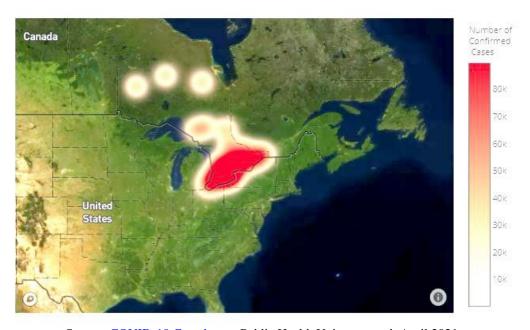
Source: COVID-19 Canada, April 2021

Days

Prince Edward Island

0.0145%

Regionally, the pandemic concentrated on Ontario, Quebec and Atlanta provinces. During a third wave of the virus in March 2021, cases began rising across most provinces west of Atlantic Canada, prompting further lockdowns and restrictions in the most populous provinces like Ontario and Quebec (COVID-19 pandemic in Canada, Wikipedia).



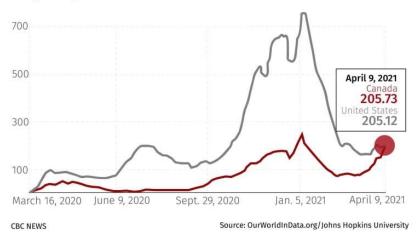
Map 2: Cumulative COVID-19 cases, Canada, April 2021

Source: COVID-19 Canada, per Public Health Units reported, April 2021

Nevertheless, Canadian responses to the corona pandemic were both more rapid and comprehensive than those of the United States, at least during the first five month (Béland, 2020). Later on, Canada compared unfavourably with the neighbouring US, mainly because of different progresses in vaccination, although, in all of Canada the spread of coronavirus slowed down in April 2021. At this time, Canada was on the verge to surpass the US, in a reversal of earlier pandemic trends, in the number of new COVID-19 cases relative to its population (Blum, 2021; Dawson, 2021).

Graph 8: Canada's Covid management superiority vs. the US is fading fast

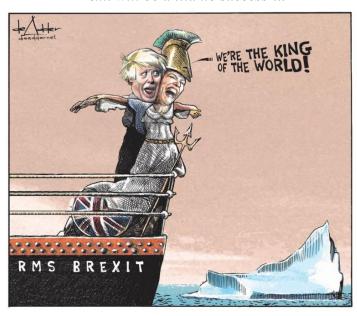
Confirmed COVID-19 cases per million in Canada and the U.S. 7-day average



Source: Blum, 2021, CBC-news, April, 13. 2021

(2) Socio-economic impact of the *Brexit* on Canada

'Brexit will be a titanic success ...'



Source: Michael de Adder, Canada⁵; Hills, 2016

The UK is Canada's fifth-largest trading partner in the world. The bilateral merchandise trade averaged CA\$ 27.1 billion between 2017 and 2019. Thereby, Canada's trade with the UK was greater than its trade with Germany (CA\$ 23.9 billion). Merchandise trade between Canada and the UK amounted to 30.1 % of total Canadian trade with the EU before Brexit. Up to this time, the EU - the world's second-largest economy worldwide - was Canada's third-largest trading partner after the United States and China (Government of Canada, 18 May 2021).

⁵ <u>Michael de Adder</u>; Twitter @deAdder: Cartoon for June 24, 2016. Cartoon concerning a press statement of the then Foreign Secretary Boris Johnson: <u>Brexit will be titanic success, says Boris Johnson</u>, *The Guardian*, November 3, 2016.

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However, nearly half of the value of UK – Canada's merchandise trade is in precious metals such as gold. If gold would be removed, bilateral trade would drop to CA\$ 14.7 billion, which equals about the trade between Canada and South Korea (CA\$ 14.8 billion).

Moreover, the UK is a key source of <u>foreign direct investment</u> (FDI) and science- and technology partnerships with Canada. Also in this respect, the continuation of the application of the Canada-EU Comprehensive Economic and Trade Agreement (<u>CETA</u>) of 2017 was crucial for continuing free bilateral UK-Canada trade because CETA removed 98 % of the pre-existing tariffs between the EU and Canada and over time about 99 % of tariffs on traded goods. Furthermore, CETA included additional benefits, such as improved access for services, greater certainty and transparency, protection for investments and intellectual property and opportunities for Canada in EU procurement markets (Kenigsberg, 2021).

Taking account of Brexit, transitional arrangements applied to UK-Canada trade until the end of the Brexit transition period (December 31, 2020). To limit significant potential trade losses of up to CA\$ 1.6 billion after the EU-UK divorce, the British and Canadian government signed (December 9, 2020) and ratified the UK-Canada Trade Continuity Agreement (Canada-U.K. TCA), which came into effect on April 1, 2021. It preserved the main benefits of CETA, including the elimination of tariffs on 98 % of products. However, in case the TCA would not hold, and bilateral goods trade would be limited to the Most Favoured Nation (MFN; UKGT for the UK tariffs), Canada's GDP could decline by CA\$ 427 million (US\$ 322 million) by 2025, and bilateral trade losses could be CA\$ 2 billion (US\$1.5 billion). By implementing TCA, both countries hopefully avoid these potential GDP and trade losses (Government of Canada, 18 May 2021; Free trade agreements of Canada, wikipedia).

Yet, it is open to question whether the rosy predictions of Boris Johnson about the '*Titanic success*' of Brexit will come true (Kohnert, 2020a). On the contrary case of a significant Brexit induced downturn of Britain, and considering the economic, political and cultural ties between the UK and Canada, it could not be excluded that Canada would be affected negatively too.

The post-colonial relationship between the two countries, which had shaped Canadian perceptions of the EU up to the Brexit vote, is likely to change as well. Like in Britain, the Brexit induced fault-line between Canada's main political parties, the multi-lateral Liberals and the more Commonwealth-focused Conservatives, could result in two opposing visions of the transatlantic relationship that would be disruptive for Canada's relations with the EU (without Great Britain) as well. This could not only enhance domestic political conflict within Canada, including a revival of divisive debates within Canada about the relative importance of British and French traditions, but it could also undermine the long-term stability of Canada-Europe relations (Hurrelmann, 2020, Hurrelmann, 2018). Whether the Strategic Partnership Agreement (SPA) between Canada and the EU, which had been agreed upon alongside CETA on demand of the EU, will cushion potential economic and non-economic shocks is open to question. The SPA has been established to build a closer strategic relationship between the EU-27 and a complementary framework of non-economic relations, ranging from climate change to scientific cooperation. It focused on strengthening foreign policy coordination and addressing global challenges and opportunities, including cooperation concerning reforms of international financial market regulations as well as global trade rules inside the WTO system, notably to answer self-centred 'America first' policies (Bendiek, 2018). Latest with the Trump government, both Ottawa and Brussels experienced increasing political pressure from Washington to open their markets for US products and services. Nevertheless, Ottawa has to guard its priorities. Currently, roughly 75 % of Canada's overall trade is with the US, a percentage that had been even higher (up to 85 %) before the <u>September 11 attack</u> (9/11) in the US break and the subsequent reinforcing of American borders since 2001 (Bartels & Mestral, 2018).

Moreover, Canada cooperates with the EU and UK in the realm of the security policy of NATO. In any case, whereas the EU tended thus far to consider Brexit primarily as an internal challenge, European foreign policy should acknowledge also its external repercussions (Hurrelmann, 2018).

Australia

(1) Socio-economic impact of the *Corona*-pandemic on Australia

'The monster lurking behind coronavirus Remember Brexit? Perhaps it's time we did'

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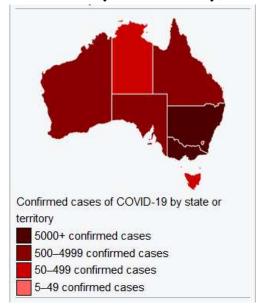
'Coronavirus stalks the land', illustration: Chris Riddell Source: The Guardian, 14 Mar 2020

Because Australia had adopted an early public health response to the Corona crisis, limiting the transmission of COVID-19 and thus avoiding the levels of acute hospitalization and fatalities as in other countries, it was handicapped in other respects. The pandemic arrived at the same time as one of the largest bushfire seasons of the country, accompanied by subsequent climatic calamities involving drought, cyclones and floods (Shakespeare-Finch, 2020). As for the Corona crisis, the Australian health service reported end of May 2021 over 30,000 cases and 900 deaths. Most cases and fatalities had been caused by the second Corona wave in Victoria, accounting for about 75 % of total cases and 90 % of deaths (COVID-19 pandemic in Australia, Wikipedia).

The pandemic affected the Australian economy seriously with widespread loss of employment, social dislocation and health hazards across the country. The rate of unemployed soared to 7.5 % in July 2020, and only decreased to 5.8 % in May 2021, i.e. about the level before the start of the Corona crisis, last, but not least, because of an effective vaccination campaign. The export-orientated agricultural sector had been especially affected, not least, because of a shortfall of pickers, i.e mostly seasonal migrants from overseas, in the harvest season 2020, who could not enter the country because of Corona-related border closures

(ibid). Equally negative affected were more than 193,000 freelancers and art workers who suffered because most performances had to be cancelled (ibid). As for the Australian stock market, there were mixed reactions (Rahmana, et al., 2021). Initially, there were negative returns, later on, the stock market reacted positively to the government's stimulus packages, notably the "Job Keeper" package. The smallest, least profitable and value portfolios suffered most during the pandemic. Besides, size and liquidity were significant drivers of abnormal returns (Rahmana, et al., 2021).

According to preliminary evidence, psychological distress, morbidity and risk of suicide resulting from the Corona crisis increased significantly, as well as the mental health risk arising from increased sedentary comportment with the introduction of lockdown, physical distancing measures, changes in household structure, and significant uncertainty about the future (Shakespeare-Finch, Jane et al, 2020; Biddle et al., 2020; O'Sullivan & Rahamathulla & Pawar, 2020). Other studies revealed the rise in domestic work burdens for women who carried most of the extra unpaid workload, although men's childcare time increased more in relative terms. So the average gender-equality gap narrowed, although the relative gap in housework remained. In general, the lockdown increased dissatisfaction with the balance of paid and unpaid work on a much higher base for women (Lyn & Churchill, 2021).



Map 3: COVID-19 cases by state or territory, 1 October 1 2020

Source: COVID-19 pandemic in Australia, Wikipedia.

Because the COVID-19 pandemic originated in Wuhan (China), the crisis was accompanied as in other, particularly Asian countries - by a deplorable side-effect. Xenophobia and prejudice against members of the Chinese-Australian and Asian-Australian communities increased substantially, notably in the social media but also in daily papers, like the Melbourne's Herald Sun and Sydney's Daily Telegraph. Chinese restaurants in Sydney and Melbourne recorded a drastic drop in business, with trade declining by more than 70 %. According to a survey of the Australian National University (ANU), 84.5 % of Asian-Australians faced discrimination between January and October 2020, although the study found Asian-Australians even more anxious about COVID-19 than other fellow citizens (Walden, 2020; Xenophobia and racism related to the COVID-19 pandemic, Wikipedia).

Yet, the Corona crisis also procured positive side-effects, at least initially, like greater confidence of the people in government and the public service and large improvements in social trust (Biddle et al., 2020). About 80 % of respondents of a representative enquiry agreed that their government in Canberra was generally trustworthy, a substantial increase from a similar study in 2009 (Goldfinch et al., 2021). Besides other factors, this was due to the government's management of the Covid-19 pandemic, not least, transfers especially for lower income levels, with the effect that these strata were less likely to find it difficult to cope with their income. Economically the most affected social groups were the relatively young (aged 18 to 24) and those just beyond retirement age (aged 65 to 74 years) because both groups recorded the biggest income loss. They were the least likely to have maintained their employment (Biddle et al., 2020). Yet, in terms of subjective wellbeing, the younger generation (18 to 24 years) had to bear the brunt of the cost of the crisis. Particularly, young women were exposed to the economic impact of the pandemic, especially those women, wanting more work and more working hours. Thus, the Corona crisis threatened to erode some of the participation gains of women made in recent decades (Churchill, 2020). The life satisfaction of the young generation, in general, decreased on average more than three times than that of the older generation (65 to 74 years), whereas the life satisfaction of persons above 75 years actually increased (Biddle et al., 2020: 27).

(2) Socio-economic impact of the *Brexit* on Australia



.Don't even think about it!

Cartoon, credit: Peter Brookman, Australia; Hills, 2016

Shortly after the UK-Brexit vote 2016, Canberra was among the first Commonwealth members to propose a post-Brexit free-trade agreement between Australia and New Zealand, including additional immigration accords as well as a customs union with the CANZUK member state (Catalano, 2016). Both former British colonies share a common heritage, history, values and security arrangements. However, they adhere to different perceptions of the EU because of diverse geopolitical perspectives (Kelly & Mochan, 2020). When the UK joined the EU, both countries entertained feelings of betrayal and abandonment vis à vis their 'mother country'. However, whereas New Zealand viewed Brexit rather sceptical, Australians, in general, looked forward to new and promising foreign- and trade relations. Only the Australian elite had a more positive view of the EU (Kelly & Mochan, 2020). Britain is

Australia's seventh, and New Zealand sixth-largest trading partner, behind China and the EU-27. The primary sector, notably agriculture, is among the most contested issues because the countries lost their privileged access to the UK market when Britain joined the ECC in 1973 (Hurst & Graham-McLay, 2020). Moreover, post-Brexit UK talks were paralleled by simultaneous negotiations of a new trade agreement with the remaining EU-27, Australia's third-largest trading partner. First UK-Australian negotiations were to begin on 29 June 2020, but they had to be postponed due to Covid-19 restrictions.

Mid May 2021, London apparently offered Australia a post-Brexit trade deal, including a transition to zero quotas and tariffs over 15 years, although discussions are still taking place (Walker, 2021). This was seen as a victory by free-trade favourable Brexiteers. At the same, however, the deal prompted alarm among British farmers, who were worried, e.g. about prospects that large-scale Australian beef and lamb exports could undercut their prices. Britain's National Farmers' Union (NFU) warned already that post-Brexit trade deals could cause "irreversible damage" to British farmers. Before Brexit, the British agricultural sector had been protected by the EU Common Agricultural Policy (CAP), including agricultural subsidies and other shielding programmes introduced since 1962. Till then, CAP treated British production preferentially at the expense of Australian and New Zealand food imports. London announced already that former EU-subsides to the tune of € 3 Mrd. would be curtailed and even eliminated completely in the coming years. Instead of fixed subsidies per hectare, future subsidies of London would be linked to the farmer's contribution to environment-, landscape- and animal protection (Plickert, 2021). Whether the former EU preferential treatment will continue after Brexit depends largely on the political pressure the British agriculture lobby can exert on the London government (Abbott, 2019). Moreover, the British international trade secretary, Liz Truss, promised that the new British-Australian trade agreement could be a first step to the entry into a free-trade deal with the eleven member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), among them Japan, Canada, Mexico, Vietnam, Singapur and Malaysia, and therewith open-up Asian markets for British farmers (Plickert, 2021). The UK-Australian deal could be considered as a model because it would be the first really new post-Brexit deal, rather than a roll-over of those formerly made when Britain still was a part of the EU (Walker, 2021).

Yet, it should be remembered that the British economy is about twice the size of that of Australia and New Zealand combined. Therefore, British trade has traditionally been of greater importance to that of New Zealand and Australia than the reverse, with evident repercussions on the relative bargaining position (Abbott, 2019). On the other hand, Australian and New Zealand trade is nowadays mainly with the economies of the Asia-Pacific region. Much of their exports to the UK are still of resource- and agricultural-intensive goods. Moreover, Australia's merchandise goods exports are mainly directed to China, followed by Korea, Japan, the United States, India and New Zealand. Australian imports come mainly from China, Germany, Korea, Japan and the United States. New Zealand's foreign trade structure is similar, including China, Germany, Australia, Japan and the US as well. Australia and New Zealand, both have free trade agreements with China and South Korea, and both are members of the Trans-Pacific Partnership, agreements that neither the EU nor the UK has (Abbott, 2019:12). Besides, the trade in services between the three countries is more prominent than in other countries. Australians' services trade with the UK is even more important than trade in merchandise goods. Therefore, post-Brexit trade negotiations will probably focus on service trade as well. Finally, investment flows between the three countries are important, Britain being the second biggest overseas investor in the other two countries (Abbott, 2019: 13-14).

New Zealand

(1) Socio-economic impact of *Corona*-pandemic on New Zealand

Living with the pandemic – Is Donald Trump right when he says, "It's all over for New Zealand"?



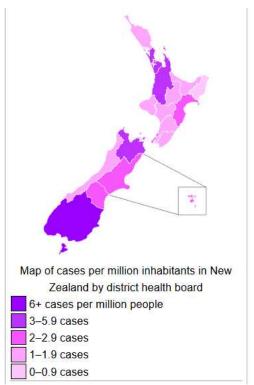
Cartoon: <u>Guy Body</u> *New Zealand Herald*, 24 August 2020. Source: Wood & Lockley, 2020

In May, and again in early September 2020, the WHO praised New Zealand, beside Cambodia, Japan, South Korea, Rwanda, Senegal, Spain, and Vietnam, for its "very systematic" response to the Covid-19 crisis (tvzn, 2020). Actually, New Zealand is one of the countries at the very bottom (rank 180) of the global country-list of Corona affected states. However, this evaluation is only of limited value because various crucial variables are apparently not considered, including climate, population density, GDP per capita, resource availability (including vaccines), infrastructure etc. Nevertheless, up to now, the country got off lightly from the Corona crisis. On May 21, 2021, it counted a total of 2,306 confirmed cases and altogether 26 deaths. The pandemic had peaked in April 2020.

Up to September 2020, New Zealand's economy had to recognize a recession, due to the Corona crisis and subsequent nationwide lockdowns etc., with a drop of GDP by 12.2 % in the June reporting quarter. (COVID-19 pandemic in New Zealand, wikipedia). However, after the government apparently succeded in containing the pandemic, the countries economy recovered at the end of 2020 with a growth of +0.4% instead of the expected -1.7 % decrease. Unemployment fell slightly as well from a peak 5.3 % in September 2020 to 4.9 % in December (Economic impact of the COVID-19 pandemic in NZ, Wikipedia).

Moreover, the Corona crisis had serious social, political and cultural impacts on the country, including education and migration. Thus, all schools, early childhood centres and universities were closed on March 23, 2020 (Social impact of the COVID-19 pandemic in NZ, Wikipedia).

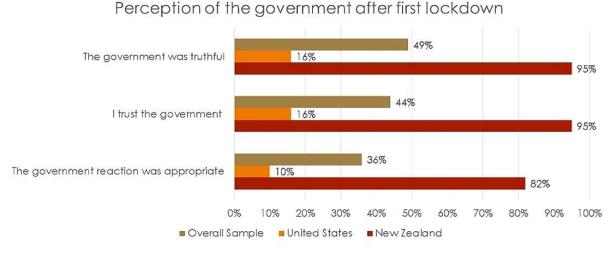
Map 4: COVID-19 cases per million, New Zealand; May 2021



Source: COVID-19 pandemic in New Zealand, wikipedia

In contrast to the US, public confidence in the government was considerable throughout the pandemic. An opinion poll in February 2021 revealed that 79 % of respondents rated the government's actions to contain the Corona crisis as "excellent" or "good" (COVID-19 pandemic in New Zealand, wikipedia).

Graph 9: Divergent public satisfaction over Corona: US vs. NZ



Source: Wood & Lockley, 2020

According to public perception, the corona pandemic in New Zealand is largely confined. Only 19 active cases were counted on May 16, 2021, all of them due to entries from abroad. During about one year, those who entered the country had to go in quarantine for 14 days at their own costs, except Australian citizens, because there the Corona incidence was also low.

Surprisingly, conspiracy theories about the virus flourished nevertheless in New Zealand, especially in the music and esoteric scene (Richter, 2021). Strong lobby groups rebelled against effective Covid-19 measures (Richter, 2021). To counter these conspiracy ideologies, a network of activist founded the organization 'Fight Against Conspiracy Theories' (FACT) to oppose COVID-19 misinformation, as promoting anti-vaccine and anti-mask protests by conspiracy groups like *QAnon*, 'Covid Plan B' and 'Voices for Freedom' (VFF). The latter was led by Clair Deeks, a New Zealand anti-vaccine activist who was an unsuccessful candidate for the conspiracist Advance NZ in the country's general election in 2020.

(2) Socio-economic impact of the *Brexit* on New Zealand



Source: N.A., 2017. The Economist, February 11, 2017

Because of the close political, economic and cultural relationship between Australia and New Zealand, much of the analysis of the socio-economic impact of Brexit on Australia applies also to New Zealand. Therefore, the following focuses on the additional impact on New Zealand.

New Zealand's sixth-largest trading partner is the UK, with bilateral trade totalling almost NZ\$ 6 bn in 2019. But China, Australia and the EU are on top of the countries foreign trade relations (Hurst & Graham-McLay, 2020).

In early January 2021, a favourable report, urging the government in <u>Wellington</u> to join the CANZUK, was submitted after it gained 82 % of votes at an opinion poll (Ferguson, 2021). Besides, <u>CANZUK International</u>, an international advocacy organisation based in Vancouver (Canada), proposed two complementary but separate treaties: one for freedom of movement and another for free trade. In the free movement (migration) arrangement it was proposed to the UK and Canada to join the already existing <u>Trans-Tasman Travel Arrangement</u> (TTTA) of 1973, which allows the citizens of member states (Australia and New Zealand) to travel more

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⁶ Cartoon of <u>David Simonds</u>, referring to the traumatic experience of New Zealand with the British access to the EEC in 1961, with devasting consequences for New Zealand's exports to the UK.

easily, to reside and work in the other country, though with some restrictions. The TTTA was based on earlier agreements, like the New Zealand Australia Free Trade Agreement (1966), the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA, 2013), said to be one of the most comprehensive bilateral free trade agreements in existence, including the elimination of non-tariff barriers to trade by harmonizing food standards (Ferguson, 2021), and the Trans-Tasman Mutual Recognition Arrangement (1998) (Trans-Tasman Travel Arrangement, wikipedia). According to New Zealand's trade minister, David Parker, the new proposed FTA would not only remove tariffs but also include new approaches to non-tariff barriers, streamlined customs, development of digital trade and trade provisions in support of sustainable environmental development (Hurst & Graham-McLay, 2020). However, New Zealand's trading links with its Asian neighbours, like China, Australia and other members of the Asia-Pacific Economic Co-operation (APEC, founded in 1992), improved substantially since the UK reduced its foreign trade with New Zealand when the UK joined the EU. Now New Zealand's trade with the APEC accounts for 72 % of its exports.



Graph 10: Change of NZ goods exports by destination, 1960 to 2015

Source: N.A., 2017. *The Economist*, February 11, 2017

Proponents of CANZUK often underline that the new trade deal could help to keep China and its assertions for supremacy in the Asia-Pacific region in check. However, this is doubtful, given the dependency of both Australia and New Zealand that are trading mainly in fossil and agricultural products, and its touchy political and economic relationship with Peking (Lui, 2021).

Conclusion

Although the Brexit vote divided not only British voters but also the political class and general public in its former 'white dominions', the divorce from the EU corresponded to a still popular nostalgia for the revival of the British Empire. This time hopefully in a win-win partnership and on eye level. The CANZUK agreement was seen by many as an important step to realize the supposed 'titanic success' that the Brexit vote promised – often with false assertions – to the English voters.

Despite the still close political, economic and cultural links, not least the common language, things advanced and time went by. Canada as well as Australia and New Zealand successfully adapted their economies to the requirement of the new global division of labour. Therefore, their goals will be difficult to reconcile with that of the British Brexiteers and the chances for a net gain for all concerned are rather slim (Olusoga, 2017; Ruyter, 2021).

Finally, also within the realm of climate policy and environmental protection, the ambitious British goals are hardly compatible with that of Australia and New Zealand. Whereas the UK ranks high in climate protection, aming at net-zero emissions by 2050 which is actually included in respective laws, Australia has not even set a federal net-zero emissions goal, nor a carbon price (Lui, 2021). This may be explained by the high dependence of Australian exports on fossil fuel, constituting hitherto about 50 % of its exports. Australia has just been through a mining boom that reminds of the 19th-century gold rush (Olusoga, 2017). The same holds for Canada with its high dependency on petroleum and fossil fuel products. On the other hand, New Zealand's Zero Carbon Act, also aiming at net-zero emissions by 2050, that Wellington had passed shortly after the UK, sounds likewise ambitious. However, emissions from agriculture and waste, which represent 40 % of New Zealand's current emissions, were excluded, and robust policies for control lacking (Lui, 2021).

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Résumè: Bien que la Grande-Bretagne ait été l'un des États membres les plus durement touchés par la COVID-19 pandémie, Boris Johnson a quitté l'UE fin 2020. Les partisans du Brexit ont approuvé l'idée de CANZUK, c'est-à-dire, une union entre le Royaume-Uni, le Canada, l'Australie et Nouvelle-Zélande. Le CANZUK s'inscrivait dans une vision de la renaissance des anciens temps de la Grande-Bretagne et de son rôle dans « l'Anglosphère », datant de la Seconde Guerre mondiale et du colonialisme des colons britanniques du XIXe siècle. Il est assez douteux que les membres de CANZUK puissent revaloriser la vision de Boris Johnson d'un commerce prospère dans « l'Anglosphère ». En outre, de nombreuses questions restent ouverts, notamment sur l'effet global du Brexit sur CANZUK par rapport à l'impact socio-économique de la COVID-19 crise mondiale. Enfin, le poids relatif du Royaume-Uni par rapport à d'autres acteurs mondiaux, comme la Chine et l'Inde, diminuera à moyen et long terme. Après tout, la nouvelle orientation mondiale du commerce international sera réaffectée de l'Atlantique (Amérique et Europe) à la région Asie-Pacifique, l'acteur clé de l'économie mondiale à venir.

Zusammenfassung: Obwohl Großbritannien von der Corona Ppandemie unter den EU-Mitgliedstaaten mit am stärksten betroffen war, verließ Boris Johnson die EU Ende 2020. Die Befürworter des Brexit unterstützten die Idee eines CANZUK Handelsvertrages, d.h. einer Union zwischen Großbritannien, Kanada, Australien und Australien Neuseeland. CANZUK war eingebettet in eine Vision der Wiederbelebung der alten Tage Großbritanniens und seiner Rolle in der "Anglosphäre", die auf den Zweiten Weltkrieg und den britischen Siedlerkolonialismus des 19. Jahrhunderts zurückgeht. Es ist zweifelhaft, ob die CANZUK-Mitglieder Boris Johnsons Vision eines prosperierenden Handels in der "Anglosphäre" umsetzen können. Außerdem gibt es viele offene Fragen, insbesondere zu den Gesamteffekten des Brexit auf CANZUK angesichts der sozioökonomischen Auswirkungen der globalen Corona-Krise. Nicht zuletzt, wird das relative Gewicht Großbritanniens gegenüber anderen Global Playern wie China und Indien mittel- und langfristig abnehmen. Schließlich wird sichh der globale Schwerpunkt des internationalen Handels vom Atlantik (Amerika und Europa) auf den asiatisch-pazifischen Raum verlagern, dem Hauptakteur der zukünftigen Weltwirtschaft.