

# What Brexit and Biden will mean for the world in 2021

Two big themes in 2020 were Brexit and Joe Biden's election win. We map out their broader implications for economic and foreign policy in 2021



Source: Shutterstock

## President-elect Biden: Ushering in a warmer period of US-EU relations

The US President-elect Joe Biden's domestic ambitions for a redistributive fiscal mix of higher taxes on corporates and the wealthy while offering more support for people on the lower end of the income spectrum will depend critically on whether the Democrats regain control of the Senate on 5 January. Assuming the Republicans hold, there will be an inevitable watering down of aspirations, but we still think a substantial fiscal stimulus, of the order of \$1 trillion is likely.

---

*While we may not see much improvement in US-China tensions, there is clearly an opportunity for the US and European relations to be rebuilt*

---

When coupled with the introduction of a vaccine, which can allow a full reopening of the economy, we suspect the US will grow very rapidly with full-year growth forecast at 3.6% despite a negative first quarter. This will help to fuel global optimism while also sucking in imports and supporting activity elsewhere.

The contrast between Joe Biden and Donald Trump with regards to international relations couldn't be starker. While we may not see much improvement in US-China tensions – see the section in our global outlook on the tech war – there is clearly an opportunity for the US and European relations to be rebuilt. Biden is likely to revert to a more rules-based multilateral approach, which should at the minimum give greater predictability of policy than experienced under Donald Trump.

We would expect a return to the World Health Organization together with a re-engagement with the World Trade Organization and NATO. His advocacy of Green energy also suggests a strengthening of the partnership on dealing with climate change. With international relations on a more stable footing, we may also start to see an unwinding of tariffs with Europe and Canada that can give businesses greater clarity and the confidence to implement investment plans that may have been put on hold.

## Brexit - a new, less uncertain chapter for the UK on the world stage?

When it comes to Brexit and the UK's role on the global stage, 2021 could go one of two ways.

If a deal is agreed with the EU, then this should put UK-European relations on a more stable footing. While a basic free-trade agreement will inevitably need to be built upon, a deal would presumably usher in a more constructive relationship on other issues, at a time when the US is looking to rebuild its ties with the EU.

---

*If the UK and EU fail to agree to a deal by the end of the year, the UK is likely to find itself more isolated geopolitically with both Europe and the US*

---

By putting an end to the recent chapter of Brexit noise and also some of the uncertainty facing Northern Ireland, the Johnson administration also stands a better chance of resetting relations with the new Biden team. The President-elect's stance on issues such as climate change and geopolitics (e.g. the Iran deal) is arguably more aligned with Prime Minister Boris Johnson's than that of President Trump.

However, things could look pretty different if the UK and EU fail to agree to a deal by the end of the year. While some of the above may still be true, the UK is likely to find itself more isolated geopolitically with both Europe and the US.

Ultimately, Britain will need a trade deal with its closest partner, and therefore at some point, both sides will need to return to the negotiating table - where presumably many of the same issues, chiefly on state aid, will resurface. This, combined with the Scottish independence story coming to the fore in 2021 under a no-deal scenario, means the cloud of uncertainty that has hovered over

the UK economic outlook relative to Europe and the US since 2016, may well linger for another few years to come.

## Author

### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).