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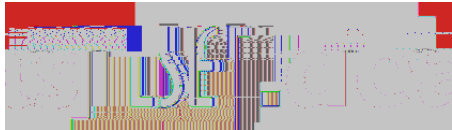
# INTRODUCTION

On July 18th, the LSE Economic Diplomacy Commission conducted its fifth round of evidence sessions concerning the conduct of the UK's economic diplomacy. The discussion broadly covered advancing multilateralism, navigating US-China relations, reforming the relationship with the EU, and recognising growing domestic difficulties. After a brief reflection on the state of the 'Global Britain' agenda, this Interim Report proceeds with a range of policy proposals as well as several issues and concerns that the witnesses raised in terms of UK policymaking.

The witnesses, who brought a wide range of academic, political, and professional expertise, were provided a set of questions in advance and were invited to follow up afterwards with further thoughts. Given the degree to which COVID-19, the US-China trade war, and UK-EU negotiations remain dynamic issues, the opinions expressed here should not be taken as the final considerations of the Commission. As such, the Commission may wish to re-engage with these issues towards the end of the year.

# GLOBAL BRITAIN UPDATE

Covid-19 has produced immense health, economic, geopolitical, and reputational consequences for the United Kingdom, and the emerging bifurcation of the international system between the US and China has added to the challenges. Some witnesses argued that these have weakened the United Kingdom at home and abroad—as the pound has weakened and discontent with the government has



force, the UK will find itself in a more perilous global landscape that requires increasingly costly attention to defence and deterrence.

There are immediate, material costs to the retreat of liberal internationalism and the erosion of global economic governance. Chief among them is the deterioration of US-China relations, which has posed challenges for the UK's commercial interests around the world. With respect to China, witnesses noted that the UK has begun to reverse course on two decades of intensive economic engagement. With respect to the US, witnesses worried that the long-sought US-UK Free Trade Agreement (FTA) might be jeopardised by Washington's insistence on a ['non-market economy clause'](#), a unilateral right to withdraw from the FTA should the UK sign a trade agreement with China, among others. At the same time, the US's displeasure has contributed to the stalemate in dispute resolution at the World Trade Organization (WTO), the primary international organisation capable of remedying aspects of the trade crisis.



2. As the US-China trade war evolves into a broader political, economic, and technological standoff, there is a high risk of paralysis in the international community that would stall progress on even the most essential and unrelated issues. For this reason, witnesses discussed the possibility of a 'non-aligned movement' around certain global public goods, such as the pandemic and the climate crisis, which would carry three objectives. First, it would ensure that the most pressing issues of the day receive the attention they deserve. Second, it would allow for a functional international system



“Our fundamental interests in the UK are very closely aligned with those in the EU. Look at China. The EU is rapidly moving towards a tougher position on China for all sorts of reasons. Particularly on the economic side, and then on the security side—and so is the UK. But we’re doing it without talking to each other very much about what we’re doing. On climate change, on Russia, on Iran, on multilateralism as a general concept, on the World Trade Organization. We have a very similar approach to the EU; much more similar than the approach of the US.”

Leveraging and establishing a formal foreign and defence policy relationship with the EU would serve to multiply the UK’s ability to pursue its interests—namely those that do not necessarily align with the United States. To do so would not be inconsistent with Brexit, which had far more to do with EU regulatory, migration, and trade issues. In certain respects, witnesses noted, a new foreign and defence arrangement would constitute a logical extension of Brexit’s ambition to redefine the UK-EU relationship in a way that would better serve the interests of the UK. Introducing foreign and defence cooperation into negotiations with the EU would thus strengthen the UK’s bargaining position, produce a more harmonious post-Brexit relationship, and strengthen the Global Britain vision.

4. The need for committing to and firming up pre-existing institutions also extends to the World Trade Organisation (WTO), which has been unable to further trade liberalisation





overseas development assistance (ODA) much more in need of it. Unfortunately, due to the economic damage from Covid, the UK's 0.7% of GNI commitment translates into a reduction in its aid budget



# PARTICIPANTS

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