



Interim Report #6

1 October 2020



INTRODUCTION

On September 21st, the LSE Economic Diplomacy Commission conducted its sixth round of evidence sessions concerning specific regional and sectoral issues and strategies for the UK's economic diplomacy. The discussion broadly covered advancing the government's 'levelling up' agenda, modernising the UK's infrastructure oversight and investment bodies, re-centring local actors in the economic diplomacy process, establishing national industrial priorities, as well as learning from countries which have achieved sustained and spatially equitable growth in recent decades.

The witnesses, who embody a broad 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, the opinions expressed here should not be taken as the final considerations of the witnesses, the Commissioners, or the Commission. As such, the Commission may wish to re-engage with these issues towards the end of the year.

CHALLENGES

Long-standing regional and sectoral disparities have been exacerbated by the economic consequences of COVID-19. Without proper attention, the UK's withdrawal from the EU, the future course of the US-China trade war, globalisation, and automation threaten to widen outcomes and entrench inequalities



In Wales and Scotland, [8%](#) of the labour forces now receive support from the state—up from 3.9% and 4% respectively.

In the North West, [8.5%](#) of the labour force now receives support from the state—up from 4.2% in January.



the growth of automation. Given the importance of ['advanced manufacturing'](#) in the 21st century, the UK's relative advantage in high-tech industries, and the potential it offers to accelerate some rebalancing of the UK economy, upskilling workers, as discussed below, is worth considering.

PROPOSALS

A refined economic diplomacy agenda can better address some of the differential regional and sectoral impact from trade, investment and other foreign economic policies, witnesses argued. Such an agenda should strive to achieve better distributed growth across the UK. Achieving this requires not just policy change, but also institutional change, such as those set out below.

1. **National Infrastructure Commission** – One proposal, which cuts across the diverse sector- and region-specific challenges the UK is facing, is a revamped and sustained infrastructure policy. Witnesses proposed empowering the [National Infrastructure Commission](#) (NIC) to be able to execute and oversee infrastructure policy and strategy as an independent body in the model of the Bank of England. At present, the NIC, created in 2015, helps to study and explore various infrastructure policies, proposals, and investments for the purpose of advising the government. Witnesses argued that granting the NIC meaningful authority and independence, as well as re-expanding its remit to include necessary components of a state's infrastructure such as housing, will be needed to prioritise greater infrastructural development and innovation going forward.

2. **Devolved Economic Policy** Attracting investment, securing export markets, and developing stronger commercial and people-to-people ties for the purpose of trade and tourism are important national policies but also have regional dimensions. This is a challenge that was discussed by regional public servants in previous [evidence sessions](#); the need for greater devolved authority on these matters was echoed in this evidence session.



Witnesses encouraged the government both to build "devoted regional investment funds" (such as a proposed 'Southwest Gateway Investment Fund') and to permit existing ones (such as the [Northern Powerhouse Investment Fund](#)) to operate with greater independence. In effect, such regional bodies should be granted more significant oversight of and responsibility for their region's inward and outward foreign direct investment.

3. **Level Up** One stated priority of this government is to 'level up' communities that have been 'left behind'. Given the



changing global economy,



specialised job training programmes, compensate the accepted students for the duration of their enrolment, and subsequently receive or 'share' some fraction of former students' future income for a limited period of time—if, of course, that income emerges within a pre-arranged timeframe. ISAs have been hailed as credible, self-



