



# **Interim Report #1**

## **April 2020**

## INTRODUCTION

In February, the LSE Economic Diplomacy Commission conducted its first round of evidence sessions—in London, Cardiff, and Edinburgh—on the current condition and forward-looking ambitions of the UK’s economic diplomacy. The witnesses spanned the political and policy spectrum, representing the devolved institutions, think tanks and academia, as well as business and trade unions. They had been provided a set of broad questions for the sessions and were invited to follow up with further thoughts.

The evidence sessions took place before the global consequences of the COVID-19 pandemic had become evident, and the virus was only fleetingly touched upon in terms of the impact on trade with China and East Asian supply chains. Given the far-reaching ramifications for the UK and the global economy, the Commission may wish to re-engage with some of the principal witnesses towards the end of the year in light of the changed circumstances in which the UK finds itself.

This Interim Report outlines the salient points discussed in our first three sessions, establishing a working definition of ‘economic diplomacy’ and reviewing the witnesses’ concerns and proposals on the matter. Its focus on the fundamentals of the UK’s economic diplomacy, governance and oversight, as well as the discussion of goods and services trade reflected the specific agenda points for these sessions. It should be noted that subsequent evidence sessions will discuss different subjects. With the world economy now undergoing profound changes, and with five of our sessions still to come, this should not be taken as the final positions of the Commission or the commissioners.

## DEFINITION

There was broad agreement on the definition of economic diplomacy. It was understood as a set of policies that helps achieve the government’s economic and non-economic priorities. It could be both reactive in posture, responding or adapting to changes in the global economy, as well as proactive, influencing or guiding desired developments. It was also stressed that economic diplomacy should be seen as multi-phase and multi-level, whereby the UK regularly pursues and manages its economic diplomacy objectives through private sector engagement, bilateral agreements, and multilateral arrangements. In addition, there was an emphasis that economic diplomacy entails a ‘whole-of-government’ approach involving committees and departments whose purview does not solely concern Britain’s foreign economic policy.

## The UK in a Global Context

Three broad themes emerged: Would the UK align with like-minded Western countries in support of a rules-based, multilateral system while developing its bilateral relationships and promoting its strongest sectors? In terms of the global regulatory system, would it follow the ‘emulate our model’ approach identified with China and the EU or would it revert to the more traditional system based on ‘equivalence and adequacy’ where outcomes determined access. There was general agreement that the UK’s strengths lay in its role as a positive influence on global governance and regulation.

Alongside this was the policy choice between alignment with a competition-based capitalist system

or a state-led economic system – a reference to the US v China debate. The question for the UK was where it wanted to be on the spectrum between the two.

The question of whether globalisation would be reversed by a trend toward de-globalisation was a critical one for the UK. Would its strong services-orientated economy be able to sustain and expand its soft power through retaining its influence or would non-tariff barriers remain an impediment to agreement on a further liberalisation of services (strengthening GATS) and other plurilateral agreements. Was the UK capable of being a ‘soft power catalytic player on the global stage’? Given that it is the only western European country to fulfil its commitment to both NATO and UN Development targets of 2% and 0.7% of GDP, respectively, panellists thought it had the potential to do more in that role.

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## PARTICIPANTS

### London 24.02.2020

Professor Linda Yueh, Chair - LSE Economic Diplomacy Commission

Professor Michael Cox, Head Commissioner - LSE Economic Diplomacy Commission

Baroness Kishwer Falkner, Lead Commissioner - LSE Economic Diplomacy Commission

Professor Stephen Woolcock, Lead Commissioner - LSE Economic Diplomacy Commission

Adam Bennett, Associate Fellow - Chatham House

Sam Lowe, Senior Research Fellow - Centre For European Reform

Gerard Lyons, Chief Economic Strategist - Netwealth Investments

Stephen Pickford, Senior Consulting Fellow - Global Economy and Finance Programme, Chatham House

Shanker Singham, Director - International Trade and Competition Unit (ITCU) of the Institute of Economic Affairs

### Cardiff 27.02.2020

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Professor Leighton Andrews, Professor of Practice in Public Service Leadership and Innovation - Cardiff Business School

Professor Gerald Holtham, Hodge Professor of Regional Economy - Cardiff Metropolitan University

Leighton Jenkins, Policy Advisor - CBI Wales

Helen Mary Jones, Plaid Cymru AM, Shadow Minister for Economy, Tackling poverty, and Transport - Welsh Assembly

Jeremy Miles, Welsh Labour AM, Counsel General for Wales and Brexit Minister - Welsh Assembly

Ian Price, Director - CBI Wales

David Rees, Welsh Labour AM, Chair of the External Affairs and Additional Legislation Committee - Welsh Assembly

Dr Andreas Tsopanakis, Lecturer in Economics - Cardiff Business School

**Edinburgh 28.02.2020**

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