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MOSSAVAR-RAHMANI CENTER
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Finding 'Global Britain':

***political slogan to hard economic
policy choices***

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Abstract

This paper, the latest in the 'Brexit' series, considers the challenges and opportunities that the government faces in turning 'Global Britain' from a political slogan to an economic policy reality. With the UK at a post-Brexit crossroads, it will now be forced to confront hard choices about its strategic direction. That direction is not only determined by trade, and the UK position on global rules of the game, but also includes migration policy and industrial strategy or the "levelling-up" agenda. These elements must weave into a cohesive Global Britain narrative that works for both domestic and international audiences.

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Introduction and Summary Conclusions

Britain is entering a new era. The United Kingdom ("UK") ended its transition period out of the European Union ("EU") on 31 December 2020. With a new Free Trade Agreement ("FTA"), primarily on goods, in place, the UK is now embarking on the most significant shift in its economic policy since it joined the EU.

So, what comes next? The government has declared its ambition to launch 'Global Britain', but during this year it must crystallise what this actually means for its external and internal economic policy. Global Britain must emerge against the backdrop of a global pandemic, a deep economic recession, rising tension between the United States ("US") and China, and a climate and environmental crisis. The scale and magnitude of these challenges offer Britain an opportunity. In 2021, as the UK assumes the G7 Presidency and the COP climate change forum chair, can the UK meet the challenge of global leadership and crisis recovery and showcase its ability to lead, outside the EU, on the global stage?

This is the sixth in a series of papers about the result of the 2016 EU referendum and what it means for the UK's economic policy and role in the world. Over the series we have conducted hundreds of interviews with business owners, academics, sector experts, and senior government officials in the UK and internationally.

Our previous papers have revealed three main views of Global Britain:

- Some - a minority – looked to versions of what we might call the **19th Century Powerhouse** model of Global Britain: Free-trading, bold Britain bolstered by its history and relations with the Commonwealth to be a dominant world power.
- At the opposite end of the spectrum were those who felt that Britain's exit from the EU would invariably result in **Britain Diminished** - a country reduced by Brexit that cannot confront its declining influence.
- Yet the majority called for Britain to remain outward looking and ambitious to lead on issues of global import; but also humble and realistic. This **new Pragmatic Global Britain** requires achieving change through alliances, and proactivity in responding to discontent driven by globalisation.

In this paper, building on our interviewees ideas of a Pragmatic Global Britain, we have focus on five areas that emerged as themes during our interviews:

- **Trade**
- **Global Rules of the Game**
- **Migration**
- **The Domestic "Levelling Up" Agenda**
- **Narrative**

Across these areas, our interviews aimed to reveal the challenges, and strategic choices that Britain must make to ensure Global Britain is a success. Defence, security and intelligence related issues are outside the scope of this paper.

Trade Policy

One of the key prizes of Britain's departure from the EU is freedom to pursue an independent trade policy. With the WTO in disarray Britain must negotiate the challenge of choosing between bilateral, plurilateral or multilateral deals. The trade demands of the US, EU and China, and the need to seize opportunities in emerging economies call on the UK to decide whether its trade behaviour will be collaborative, conciliatory or adversarial, and to what extent it can move trade away from the EU. At the same time the UK must decide about how trade and domestic economic policy will interact.

Trade Policy: Findings

- Reviving multilateral trade is a difficult long-term challenge, but bilateral deals are too narrow to offer significant upside benefit.
- Plurilateral deals have more immediate potential, particularly in services, and can be stepping-stones toward multilateralism.
- The EU and US may be reluctant to engage in a new push on service sector liberalisation, but the UK should keep the door open.
- An adversarial approach with the EU is not in the UK's interest - new trading relationships must not alienate our most significant partner.
- Trading relations which deliver domestic outcomes and greater equality should be prioritised, for example support for SMEs.

Senior UK Treasury Official "Nobody is particularly optimistic about multilateral trade or reviving the WTO. People will talk about it, but there is no real sense that it will happen quickly."

Senior UK Government Official "Things won't move forward on the multilateral front, so the implication is to do things bilaterally or plurilaterally - I can imagine a plurilateral initiative in services."

Brussels-Based Foreign Office Official "The EU will be watching UK attempts to build more Pacific-facing relationships like a hawk."

Wayne Swan, Former Australian Finance Minister "When looking at trade strategies at this minute it's a pretty murky world. It's fair to say that there is much to learn about how to operate in a less friendly world."

Tharman Shanmugaratnam, Senior Minister of Singapore "America, China and the EU have been hedging their position on smaller countries having multiple trading relationships. But the UK should be careful that integration with Europe is not damaged because that is the nature of your economy, your businesses, and therefore your jobs."

Global Rules of the Game

The UK, with its legacy position in international fora and role in the G7 and COP26 has the potential to lead the international agenda on specific issues, but it needs to think carefully about which ones to prioritise, such as climate, data and global taxation. In doing so it must consider the implications of a loss of a seat at the EU

table, and of diverging too far from the EU regulatory orbit. These different decisions must eventually converge into an overall regulatory philosophy that is aligned with Britain's trade and domestic economic policy.

Global Rules of the Game: Findings

- The UK is too small to impose its regulatory approach on the world, and too large to simply be a rule-taker; brokerage and innovation offer an alternative.
- The UK's expertise, experience and international standing in financial services, climate change, technology and global taxation are areas for brokerage.
- The G7 presidency demands UK leadership on Covid-19-recovery, technology and multilateral tax reform - COP will be a second big test of Global Britain.
- As one of the largest donors to COVAX, a leader in the vaccination race and with its world-leading life sciences sector, the UK can drive post-pandemic resilience.
- Regulatory divergence from the EU is challenging, but leading or brokering regulatory reform requires risk-taking. In financial services, there are opportunities; in data privacy, the risk of antagonizing the EU may be too great.

Senior Cabinet Office Official "We're bigger than Singapore and Canada, and more confident as a global player than Japan. Between the US and EU we must be smart and nimble."

Tony Danker, CBI "Britain needs a leapfrog strategy - we need to use our regulatory freedoms to get to the world of 2030 faster, as opposed to simply thinking how to show Brussels this has all been worth it."

Tharman Shanmugaratnam, Senior Minister of Singapore "One of the opportunities for bilateral and plurilateral deals is freeing up the digital economy and digital connectivity"

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England "There's a period of time where there may be some issues, such as data privacy, you can't do without the EU. I'd advocate others to lead on services liberalisation so it doesn't look like a direct UK confrontation with the EU"

Maria Demertzis, Bruegel Think Tank "When the political dust settles, then we will realise that the UK, regulation wise, is a lot closer to the EU than it thinks"

Migration and Human Capital

As a consequence of leaving the EU, the UK can now fully control its migration from both EU and non-EU countries. The new approach must be carefully attuned to supporting local growth and jobs, at all skill levels and supporting equality of

opportunity. The government will have to identify the most appropriate policies to support its new model, looking beyond the current points systems. Sentiment about these policies, for both UK citizens and to potential migrants, will be defined by the story the government tells about migration and its role in the UK economy.

Migration and Human Capital: Findings

- Ending free movement with the EU doesn't mean closing borders; indeed the government accepts the need for high-skilled labour.
- Migration policy also requires choices on how Global Britain:
 - Responds to shortages of low-skilled and seasonal workers
 - Supports higher education
 - Faces up to Britain's ageing population.
- To sustain support for migration the government must persuade the public that there is effective and fair control over immigration.
- The narrative on managing migration will shape how Global Britain is seen by potential/remaining migrants and domestic voters.

Senior Downing Street Official "Our points based immigration system is deliberately designed to make it easier for high-skilled immigrants to come in, and more difficult for low-skilled"

Sajid Javid, Former Chancellor of the Exchequer "Lower unskilled migration will be good because it will force businesses to increase productivity of a more limited, more expensive workforce"

Senior Bank of England Official "'Free movement' as a slogan was disastrous as people felt like there was no control. By changing the rhetoric to 'grip and control', similar to Australia, the UK can set quite an open migration policy whilst letting people feel it is under control"

Jo Johnson, Former Cabinet Minister "Even if we've still got net migration of 300,000 a year plus, that doesn't matter anymore because we're in control"

Wayne Swan, Former Australian Finance Minister "We've generally managed to avoid the full scale revolt against migration that has been seen elsewhere. The implication of the points system is that we have chosen the people who come in."

The Domestic 'Levelling Up' Agenda

Britain, like many other countries, is dealing with the question of how to recover from Covid-19 amid scepticism of globalisation. There is a widespread consensus that policies are necessary to enable crisis recovery, rebalance growth nationally and address inequality. This is especially true given the Covid-19 recession and looming questions about constitutional arrangements between the four nations. Britain must choose which policy levers will be aimed at inclusive prosperity, including the role of continued devolution.

The Domestic 'Levelling Up' Agenda: Findings

- Delivering fairer domestic outcomes, both regionally and between cities and towns, is vital for Global Britain.
- Our interviewees rejected simply undercutting international competition and instead advocated investing in innovation, skills, infrastructure and trade-adjustment assistance.
- The UK must replace European industrial and agricultural policies, and find a new constitutional settlement to sustain the Union and tackle regional divides.
- Other countries will be watching closely: the economic and political divides that Global Britain must tackle are common to many countries.

Senior Cabinet Office Official "I think the only way the UK can square its free trading, market-based approach is to be quite a lot less free market when it comes to regional growth."

Tom Riordan, Chief Executive, Leeds City Council: "London cannot survive on its own, so the UK cannot be just about that. We need to acknowledge the reason London can be what it is: because of the other parts of Britain."

Sajid Javid, Former Chancellor of the Exchequer "There's nothing wrong with shifting jobs from an area of high employment to an area of low employment to improve equity across the country."

Rem Korteweg, Clingendael Institute "Global Britain has to first clear the pretty high bar of not becoming Global England."

Tharman Shanmugaratnam, Senior Minister of Singapore "Global Britain must enable growth in incomes in the middle. This has to be about constant investment in human capital and inclusive growth [...] You need to properly regenerate areas across the board to avoid a Brexit-type perception of who is gaining and who is losing."

Narrative

Alongside substantial policy changes, many of our interviewees brought up the need for a new national narrative to accompany the seismic changes of Brexit. Going from a leading nation within a giant bloc to a mid-size, independent global power, must be told through a new domestic and international story, if Britain is to make the most of its potential. Interviewees had different ideas about what tests the new story must pass, in order to resonate with both audiences within and outside the UK.

Narrative: Findings

- This year Britain will begin to develop its narrative through its response to Covid-19 in the G7 and the vaccine rollout, Climate policy at COP, and decisions on migration and “levelling up”.
- Our international interviews advised that the Global Britain narrative needs to be:
 - Outward looking and collaborative, not adversarial
 - Humble not arrogant
 - Consistent between international and domestic audiences.
- Our UK interviews stressed that hubris and pessimism risk undermining the Global Britain narrative; and that Global Britain must show the public and the world it is addressing internal divides within the UK.

Brussel-Based Foreign Office Official “Global Britain has been around for a long time. It doesn't communicate terribly well, aside from stating we want global reach. As a consequence, it seems hubristic and that we're trying too hard, rather than meriting global reach through hard work.”

Senior UK Treasury Official “There's been a lot of hubris in British politics in recent years. Whatever the shenanigans in Parliament, the Treasury has presented itself as a sensible player internationally. But it won't last forever.”

Wayne Swan, Former Australian Finance Minister “If the UK did a roadshow about returning to a world of Commonwealth trading relationships to launch Global Britain that would be spectacularly unsuccessful and in itself harmful.”

Senior European Commission Official “It's difficult to foresee anyone trusting a version of the UK as a leader or broker when it has just abandoned its opportunity to do brokerage in the deepest international agreement - the EU.”

Mark Carney, Former Canadian G7 Sherpa, and Former Governor Bank of England “You need to let the big blocs get the glory. That's easy if you're Canada - you're just glad to be at the table. This is much harder for the UK, which used to be an Empire and world power. The UK needs to be tactical, and appropriately humble.”

Conclusion

Global Britain does not have to be situated in the extremes of ‘Imperial Britain’ - a hubristic expectation that a return to 19th century levels of British colonial trade and political dominance is possible. Nor does it need to be ‘Britain Diminished’ - a pessimistic view that leaving the EU consigns the UK to economic and political decline. The reality and potential of Global Britain lies between these two poles, in a pragmatic but ambitiously outward-looking and progressive country.

So what could this pragmatic Global Britain look like? Our paper explored the different challenges and choices faced by UK political leaders in articulating a future direction for the country:

- Are bilateral deals enough, or can the UK build plurilateral alliances?
- Will the UK's regulatory approach be competitive deregulation, or brokering new solutions to global problems?
- Will the UK clamp down on unskilled migration, or build public support for fair and effective managed migration?
- Can regional divides be closed and the union saved?
- Can the government sell a Global Britain narrative to both the British public and the world?

With choices come trade-offs. Pursuit of open trade conflicts with a champions-based industrial strategy; prioritising bilateral deal-making weakens efforts to repair multilateralism; preserving regulatory sovereignty clashes with international influence; controlling migration with finding new talent; and a global focus can suggest an indifference to addressing issues at home.

To help guide UK policy makers as they seek to define what a post-Brexit Global Britain will mean in practice, our paper suggests these starting conclusions.

First, these challenges show that Global Britain must be about more than trade policy. It demands new approaches to regulation, migration and "levelling up" to reduce domestic inequalities. This wider agenda will determine whether the population see Global Britain delivering results on the home front, and whether the rest of the world sees Britain as a country that can successfully grapple with difficulties facing many countries.

It is therefore essential that Global Britain conveys a consistent message internally and externally as what is implemented and said domestically will condition popular support for an open Global Britain, as well as its international reception.

Second, Global Britain can be a leader, but only in collaboration. Competence, humility, and good ideas should guide the UK in its international engagements. The 2021 G7 presidency and COP chair are opportunities to put this into practice. The UK has a role to play in addressing global challenges such as the climate emergency and Covid-19 recovery, not from a position of superiority or 'Britain knows best', but as a broker and collaborative equal to its peers.

Finally, strategic prioritisation is necessary in recognition of the simultaneous challenges of the UK's limited, but still substantial influence as a mid-sized power and the resource and capacity challenges during the Covid-19 recovery. Rather than trying to do everything, Global Britain must learn where to support other countries' leadership, and where to focus its own efforts. This prioritisation serves a dual purpose of helping Global Britain to articulate its post-Brexit story by showing what it values most. A vital part of that prioritisation, and that story, will be maintaining a positive relationship with the EU.

The UK's approach to the Covid-19 public health crisis and vaccine development shows the importance of getting 'Global Britain' right. In the early days of the pandemic, a "Britain knows best" mentality led the government to ignore WHO advice,¹² with lessons from countries such as China, South Korea and Italy needlessly discounted.³ These mistakes led to the tragic loss of life that means the UK remains one of the worst hit countries by the pandemic.⁴

The UK's lead in the vaccine rollout allows the UK government to tell a different story of Global Britain. By taking the opportunity to use its leverage and expertise to advocate for the vaccine to be accessible globally, Global Britain can show itself as an outward looking, humble and progressive player, which understands that its problems are also global problems which must be solved amongst peers.

The UK faces big choices on how to develop the Global Britain agenda. Parties across the political spectrum must now mould the Global Britain of their choosing.

¹ Pollock, A. M. *et al.* (2020) 'Covid-19: why is the UK government ignoring WHO's advice?', *BMJ*, 368, p. m1284. doi: [10.1136/bmj.m1284](https://doi.org/10.1136/bmj.m1284).

² Perrigo, B. (2020) *How the U.K. Fumbled Its Coronavirus Response*, *Time*. Available at: <https://time.com/5823382/britain-coronavirus-response/>.

³ Costello, A. (2020) *The United Kingdom is flying blind on Covid-19*, *The New Statesman*. Available at: www.newstatesman.com/politics/staggers/2020/03/uk-response-coronavirus-pandemic-distancing-medical-advice.

⁴ de Best, R. (2021) *COVID-19 deaths per capita by country*, *Statista*. Available at: <http://www.statista.com/statistics/1104709/coronavirus-deaths-worldwide-per-million-inhabitants/>.

Methodology

Objectives

This research paper is the sixth in a series focused on the long-term impacts of Brexit.⁵ In three of the papers we explored the implications of Brexit for British businesses through the perspectives of people who run and own companies across the country. In the other two papers, given forward-looking focus on the potential for a US-UK FTA, we looked at the prospects of and potential benefits from a trade deal with America. Building from the base of the previous papers we have gone wider to interrogate 'Global Britain' now that the UK-EU Trade and Cooperation Agreement has been completed. Our goal in researching and writing this paper was to think about what Global Britain actually means in practice, and the decisions that it presents in terms of trade, rules of the game, migration, the domestic "levelling up" agenda and narrative.

Approach

Consistent with our approach for the other papers in this research project, our research was focused on personal interviews. Throughout the entirety of the project we have spoken to over 300 interviewees and over 50 for this paper alone. To look at Global Britain, our interviews included high-ranking civil servants in the Foreign and Commonwealth and Development Office, Bank of England, Treasury, Cabinet Office, and officials within EU institutions. In addition, to develop our understanding of how different parts of society see Global Britain we spoke to companies, trade associations, labour organisations and academics.

Britain is not, of course, the first country without the power or clout of China and America to have to define effective global influence. Our interviews therefore included significant trading partners, and other comparator countries, to ask about policy space for pursuit of a viable Global Britain. To explore external perceptions of what Global Britain can mean, we asked senior policymakers Australia, Singapore and Canada: medium-sized, globally significant countries about what their experiences have been and what advice they would offer to Britain. We also spoke with current and former European Commission officials to explore what Global Britain means for our relationship with the EU.

We are enormously grateful to the senior government officials who took the time to speak with us anonymously. Due to the sensitive nature of their roles in the negotiations we cannot attribute quotes to these senior officials individually. A list of interviewees has been presented to John Haigh, co-director of the Mossavar-

⁵ Balls, E., Weinberg, N., Redmond, J., Borumand, S. (2020) 'Will Prioritising a UK-US Free Trade Agreement Make or Break Global Britain? Transatlantic Trade and Economic Cooperation through the Pandemic', M-RCBG Associate Working Paper No. 136, Available at: <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp136>, Balls, E., Sands, P., Benn, E., Ferriter, K., Garnett, T., Hallam, E., Leape, S., Weinberg, N. (2018) 'Deal or No Deal? Businesses' Views on the Endgame of the Brexit Negotiations', M-RCBG Associate Working Paper No. 101, Available at: <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp101>. Balls, E., Sands, P., Sethi, M., Hallam, E., Leape, S., Weinberg, N. (2018) 'On the Rebound: Prospects for a US-UK Free Trade Agreement', M-RCBG Associate Working Paper No. 89, Available at: <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp89> Balls, E., Sands, P., Sethi, M., Hallam, E., Leape, S., Weinberg, N. (2018) 'Time for Clarity: The View of British Business on the Path to Brexit', M-RCBG Associate Working Paper No.84, Available at: <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp84>, Balls, E., Sands, P., Leape, S., Weinberg, N. (2017) 'Making Brexit work for British Business: Key Execution Priorities', M-RCBG Associate Working Paper No. 77, Available at <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp77>

Rahmani Center for Business and Government at Harvard Kennedy School. Some of the companies and industry experts we interviewed chose to remain anonymous. In addition to the interviews, we reviewed the constantly growing body of literature on this topic being published and have included this within our paper.

Moving towards a Pragmatic Global Britain

The objective of this sixth paper in this series is to discover, through interviews, the key priorities for Global Britain.

A spate of recent reports have looked at how the UK can deliver on its international ambition of Global Britain. The majority of these reports look at British foreign policy, including the House of Commons Library's report made in preparation for the 11 January 2021 debate on Global Britain.⁶ Recommendations put forward by think tanks and the third sector include a greater role for British foreign policy and specifically the Foreign, Commonwealth and Development Office in promoting "freedom for trade, freedom from oppression, and freedom of thought",⁷ and the UK developing a values-based foreign policy to counter the challenges to liberal democracy and the rules-based world order.⁸

The Chatham House report '*Global Britain, Global Broker*' identifies six points of connection between the UK's interests, resources and credibility to drive Global Britain's goals. These include protecting liberal democracy, promoting international peace and security, tackling climate change, enabling greater health resilience, championing global tax transparency and equitable economic growth; and defending cyberspace.⁹ In contrast, the LSE Economic Diplomacy Commission makes ten proposals on how the UK's trade and investment policy should develop. These include, among others, establishing the UK as a global hub for services, supporting global public goods, and expanding institutional capacity for the conduct of domestic economic diplomacy.

Our report aims to build on and add to these findings, considering Global Britain through a wider economic and political lens, to look beyond the important aspects of Britain's soft power and diplomacy, to the domestic, and international economic policies that must be decided to make a success of the next decade.

⁶ Robinson, T. Brooke-Holland, L. Fella, S. (2021) '*Research Briefing: Global Britain*', 6 January, Available at: <https://commonslibrary.parliament.uk/research-briefings/cdp-2021-0002/>

⁷ Seely, B. Rogers, J. (2019) '*Global Britain A Twenty First Century Vision*' Henry Jackson Society, 11 February, Available at: <https://henryjacksonsociety.org/publications/global-britain-a-twenty-first-century-vision/>

⁸ Baldoumas, A. Chakraborty, K. Hug, A. Sriskandarajah, D. (2020), '*Finding Britain's Role in A Changing World: Building a values-based foreign policy*' Foreign Policy Centre, Oxfam GB, 3 March Available at: <https://policy-practice.oxfam.org/resources/finding-britains-role-in-a-changing-world-building-a-values-based-foreign-polic-620950/>

⁹ Niblett, R. (2021) '*Global Britain, global broker: A blueprint for the UK's future international role*' Chatham House, 11 January, Available at: <https://www.chathamhouse.org/2021/01/global-britain-global-broker>

Charting Britain's post-Brexit future: Our papers so far

Over the last half decade of interviews we have heard all sorts of ideas about what Britain's future holds. These range from a minority view which looked to versions of the '19th Century Powerhouse' model of Global Britain: Free-trading, bold Britain bolstered by its history and links with the Commonwealth. At the other end of the spectrum was the pessimistic 'Britain Diminished' model which saw exit from the EU as an untreatable act of self-harm that spelled the end of any global British influence.

Our previous papers suggested that most people wanted to avoid the extreme conceptions of Global Britain, rejecting both the swaggering 19th century powerhouse vision that risks hubris, and the British diminished narrative. Broadly business owners, academics, trade experts, and policymakers across the country hoped to move beyond the tired extremes that have come to dominate the UK debate, obscuring clear thinking about the political and economic realities that should form the bedrock of any approach to modern Britain. The majority view in our previous papers was that the UK should continue as an outward looking nation. Britain cannot return to the past, nor should Brexit be a reason to accept a version of Britain that has withdrawn from the world. Instead many saw Britain as a nation still capable of exerting global influence from outside the EU.

While there were stark differences in views on the best route forward, our previous papers revealed that we begin from a position of consensus on some issues. Many of our business interviewees would not have chosen to begin 2021 from the position we currently occupy. While a small minority wanted a much cleaner break from the EU than embodied by the FTA exit the Government has delivered, most businesses wanted the UK to remain within both the Customs Union and the wider Single Market. Across all the interviews since 2016 was the shared view that Brexit should not force a retreat from the global stage.

Rejecting Pessimism

Our interviewees emphasised that even if Brexit presents challenges, Britain remains a significant global powerhouse: the world's sixth largest economy.¹⁰ It boasts leading educational, scientific and artistic institutions as well as a stable macroeconomic and legal environment. Figure 1 shows the UK remains highly ranked globally in terms of its business, social and political environment.

Tharman Shanmugaratnam, Senior Minister of Singapore *"The UK has the advantage of starting off as a real player on trade, finance, climate and other issues."*

Kevin Ellis, Chairman of PWC UK *"The UK has every opportunity to strengthen its position as a dynamic and trusted place for business."*

¹⁰ World Bank, 'World Bank national accounts data, and OECD National Accounts data files', Available at: <https://data-worldbank-org.ezp-prod1.hul.harvard.edu/indicator/NY.GDP.MKTP.CD>

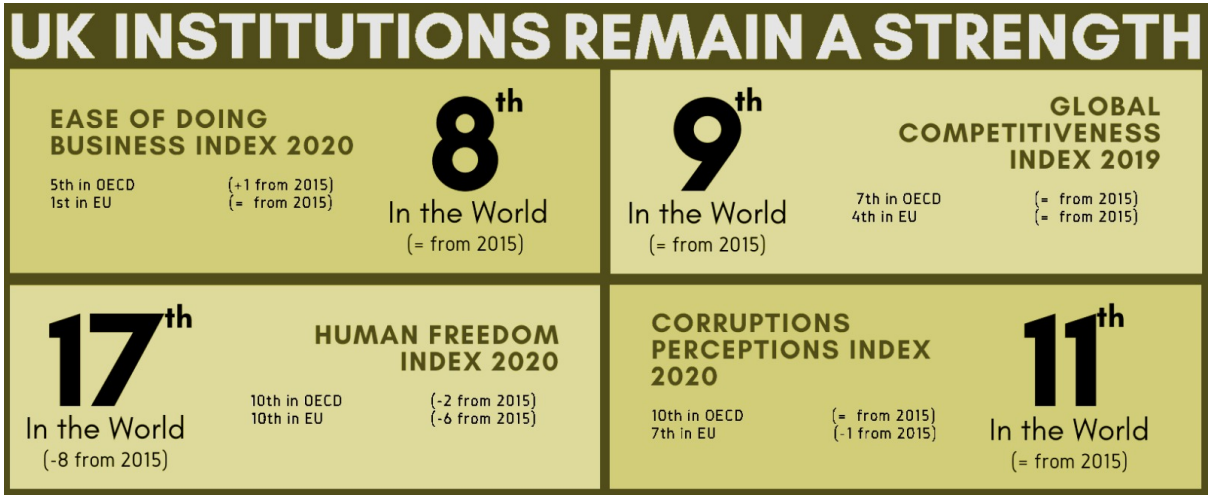


Figure 1: UK rank across economic environment indicators. From: World Bank 2020, World Economic Forum 2019, Transparency International 2020, Cato Institute 2020.

Trade in goods and services still drives UK economic growth and prosperity. In 2019, the value of total trade in goods and services (imports + exports) was 63.8% of GDP.¹¹ In particular, alongside high-tech manufacturing excellence in cars, pharma and aerospace, the UK’s share of trade in services remains strong at around 8% of global flow, making Britain the second largest trader of services after the United States (see Figure 2 below).

The UK remains the world’s second largest service exporter

Country service exports as a % of Worldwide Exports, 2018. Data: UN COMTRADE

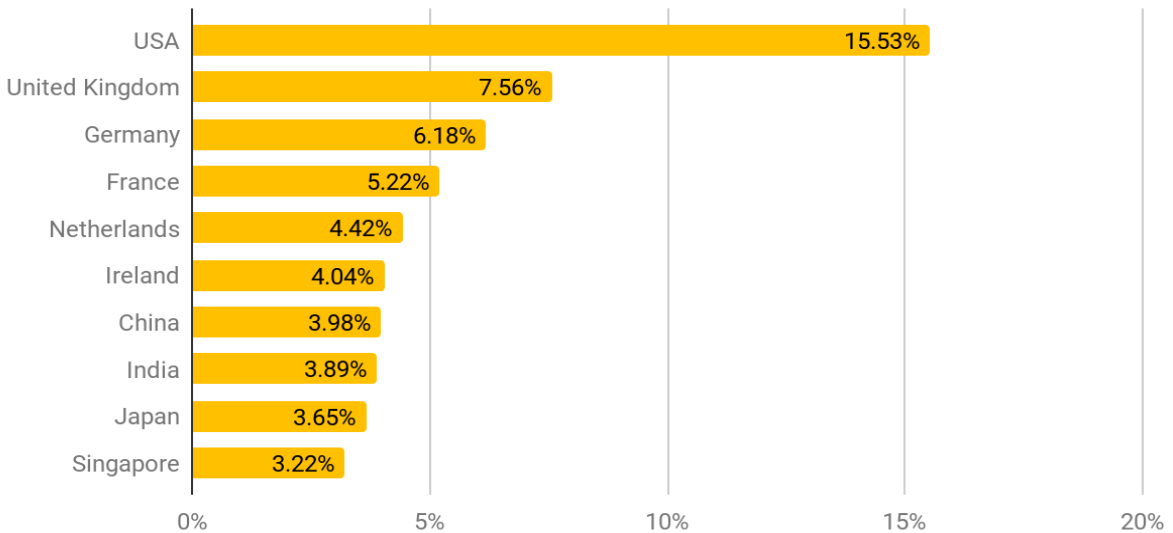


Figure 2: Country service exports as a % of Worldwide Exports. Data: UN COMTRADE, 2020

¹¹ World Bank, 'World Bank national accounts data, and OECD National Accounts data files', Available at: <https://data-worldbank.org.ezp-prod1.hul.harvard.edu/indicator/NY.GDP.MKTP.CD>

The service sector accounted for 82% of total employment in the UK in July-September 2020.¹² That position places the UK in a unique position as a broker of global integration in services.

Tony Danker, CBI *"Britain has the potential to be a true leader and a beacon to the rest of the world in many areas - from leading in future of work policy to being an exemplar of diversity and inclusion"*

The UK has numerous globally competitive service industries: for example financial services which contributed 6.9% to total economic output in 2018.¹³ Other notable exports in services include insurance and pensions (\$25.67bn), travel (\$49.93bn) and other business services including management consulting, legal, accounting and marketing services (\$143.7bn).¹⁴

As the UK grapples with the question of 'what next', it must understand its soft power and institutional strengths as much as its economic ones. In particular, its strengths in higher education and research and its cultural influence. It must think about how best to use its strategically advantaged global diplomatic position through historical ties and structural power (e.g., P5, G7, etc.). *"The UK embarks on a solo journey with important assets. But assets do not automatically equate influence"*,¹⁵ said Dr Niblett in a report on the topic for Chatham House.

Dr Conor Patterson, Newry and Mourne Co-Operative and Enterprise Agency *"Britain has global advantages and assets; the English language is the de-facto language of international business; our culture, literature, political history and systems are widely understood around the world."*

Shanker Singham, CEO Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary: *"To have any economic benefits out of Brexit, the UK needs to ensure it protects property rights, has a liberal trading system, and an organising economic principle of market competition. The more it deviates from this, the worse it will do."*

Ambassador Nicholas Burns, Harvard Kennedy School *"From an outsider's perspective, Britain so far looks quite confused about what it is trying to achieve, mostly because it hasn't clarified to itself what its strengths are, where can it realistically win and where it is already winning."*

Rejecting the Hubristic 19th Century Powerhouse Model of Global Britain

The last 100 years have seen a transformation in the UK economy, from an industrial powerhouse and global superpower to a modern, predominantly services-led economy. Conditions which allowed the UK to dominate global industrial production, such as a large lead in industrial productivity and the

¹²Brien, P. (2021) 'Service industries: Key Economic Indicators'. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn02786/>. Output figures Gross Value Added.

¹³ Rhodes, C. (2020) 'Financial services: contribution to the UK economy', 1 February Available at: <https://commonslibrary.parliament.uk/research-briefings/sn06193/>

¹⁴ World Trade Organisation International Trade Data (2019), Annual commercial services exports by sector and partner, Available at: <https://data.wto.org/>

¹⁵ Niblett, R. (2021) 'Global Britain, global broker: A blueprint for the UK's future international role' Chatham House, 11 January, Available at: <https://www.chathamhouse.org/2021/01/global-britain-global-broker>

coercive power of the British Empire,¹⁶ no longer apply. As shown in Figure 3, Britain's share of world trade in manufacturing fell from over 20% in 1950 to 4% in 2016.¹⁷ Our interviewees stressed that ignoring the constraints of size and fundamental shifts in the global economy would expose Britain to hubris.

Andy Burwell, CBI *"If the UK wants to shape the future global environment it can only do so through alliances and collective action. Linking foreign policy to trade sounds very colonial."*

Simon Usherwood, University of Surrey *"A strength of the UK is its historic reputation as a sound and reliable partner, even though the last few years have trashed our reputation around the world and, in particular, in the Security Council."*

UK Share of Global Trade has fallen sharply

UK Share of world trade, 1850-2016. Data: Bank of England, 2018



Figure 3: UK Share of world trade, 1850-2016. Data: 'A Millennium of Macroeconomic data for the UK', Bank of England, 2018.

The image of 19th century Britain has so far appeared to play an outsize role in driving Britain's strategy, potentially to its detriment.

For example, from proposing the Commonwealth form a trading bloc to replace the UK-EU alliance,¹⁸ or expanding trade with the US through the 'special relationship'.¹⁹ Our interviewees were concerned that they could not thrive in a

¹⁶ Lynn, M. (1999) 'British Policy, Trade, and Informal Empire in the Mid-Nineteenth Century', in Porter, A., *The Oxford History of the British Empire: Volume III: The Nineteenth Century*. Oxford University Press.

¹⁷ Thomas, R and Dimsdale, N (2017) "A Millennium of UK Data", Bank of England OBRA dataset, <http://www.bankofengland.co.uk/research/Pages/onebank/threecenturies.aspx>. Cross-Checked against UN COMTRADE 2019 data for World and UK Exports of Goods under SITC codes 6, 7 & 8.

¹⁸ Khan, I. (2020) 'A Cure for the Brexit Trade Blues', *Foreign Policy*, 22 December. Available at: foreignpolicy.com/2020/12/22/brexit-trade-commonwealth-eu-innovation-investment/.

¹⁹ McGrath, C. (2021) *Brexit highlights UK's secret weapon in defeating EU - and mocks bloc over Thatcher*, *Express.co.uk*. Available at: <https://www.express.co.uk/news/politics/1383878/brexit-news-boris-johnson-eu-global-britain-margaret-thatcher-commonwealth-gibraltar-trade>.

Global Britain that simply ignored the realities of the UK's current and historic economic position. As shown by Figure 4 below, the UK's closest neighbour the EU, and European countries before that, have always been the UK's dominant trading partners.

Europe has always been a major UK export location

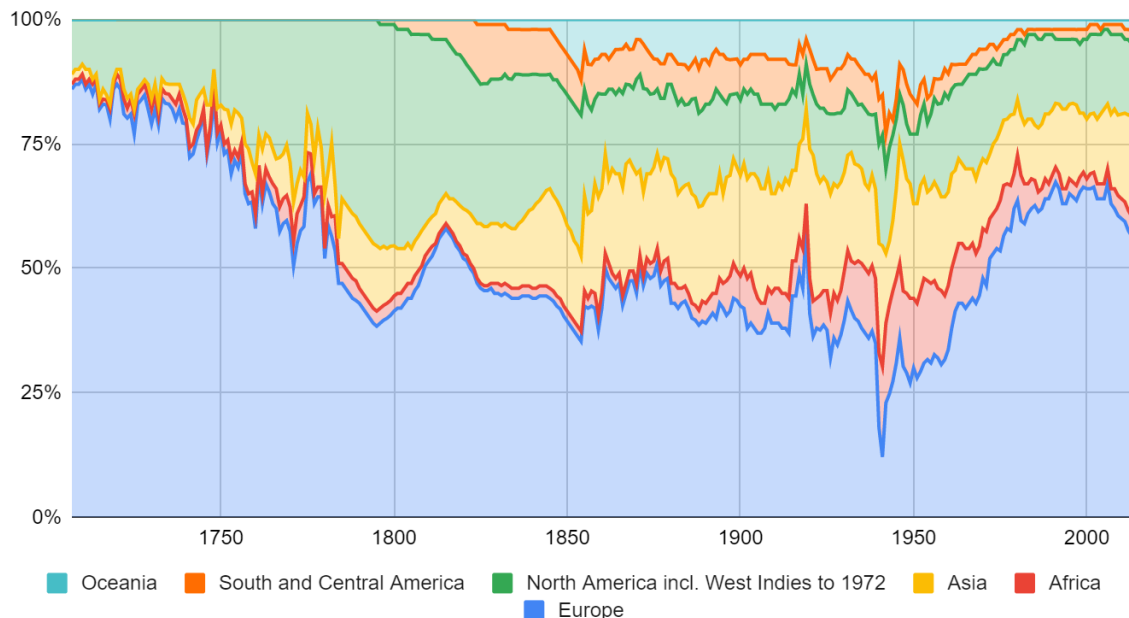


Figure 4: Proportion of UK goods export destination by region, 1707 - 2016. Data: 'A Millennium of Macroeconomic data for the UK', Bank of England, 2018.

The trade deal with the EU did not avoid the imposition of numerous new trade barriers. Impact assessments predict that the net impact of the deal will be a 4% "loss of potential GDP over 15 years compared to continued EU membership".²⁰ Compensating for the impact of this economic shock is not as simple as signing trade deals with economies of equivalent sizes. Trade theory emphasises the importance of "gravity" - i.e. that countries tend to trade most with countries they are closest to in both goods and services.

Shashank Joshi, The Economist "No heroic power of will is going to overcome historic geographically determined patterns of trade."

The global landscape of trade has changed. Trade is now much more dependent on regulatory alignment, especially in services, the backbone of the UK economy. Services contributed 71.3% of UK GDP in 2019, industry 17.4% and agriculture 0.61%.²¹ Most interviewees were sceptical of the view, exemplified by Liz Truss's statement that the UK can become a "a global services and technology hub", that

²⁰ Fleming, S. Brunson, J. (2020) 'How the UK-EU trade deal will change relations between Britain and Brussels', The Financial Times, 24 December, Available at: <https://www.ft.com/content/8e6db389-9e09-4c00-9b49-687a2dafd2ca>

²¹ Plecher, H. (2020) United Kingdom - Distribution of GDP across economic sectors 2019, Statista. Available at: www.statista.com/statistics/270372/distribution-of-gdp-across-economic-sectors-in-the-united-kingdom/.

the UK could expand its service exports without harmonisation of rules which, ultimately, compromise sovereignty.²²

Stephen Howarth, Agricultural Economist *"I struggle to see how anything can replace the EU, we are thoroughly integrated with the bloc e.g. the complexity of our manufacturing supply chains. I believe Europe will still be our biggest trading partner in Global Britain [...] We have not understood the underlying changes that are required to make this a success."*

David Wright, Former European Commission Official *"Of course you can cut your access to the European market, you make deals with Switzerland or whoever. But it will not be easy to do that and maintain trade with your biggest trading partner, the EU. Deals with the Americans will always be on American terms. And other markets are not going to roll over and say 'thanks Britain - we will adopt your standards as they are'."*

Pragmatic Realism

Between these two extremes, we found an emerging view from the majority of our interviewees for Britain to remain outward looking, and ambitious to lead on issues of global importance; but also humble and realistic. This new pragmatic Global Britain requires achieving global change through alliances, and proactively responding to the discontent driven by globalisation.

This pragmatic Global Britain is optimistic. It recognises Britain as a small island with significant geopolitical advantages and world-class industries and institutions, capable of tackling some of the world's greatest priorities through cooperation as an equal partner. It should start by protecting and building the relationship with the EU while using its new latitude to build alliances and advocate for issues of global importance: climate change, democracy, and a response to all of the popular discontents that have driven the various backlashes against an ailing system.

Senior Bank of England Official *"The UK machine is good at operating in international fora, and remains pretty powerful. We have good ideas and good networks - but you need the third piece which is giving political attention to multilateralism."*

Senior Downing Street Official *"The biggest difference at the G7 table is that it will be Biden there and not Trump. We will be thinking about the internet, the international pandemic response, global health, how to boost the WHO, the WTO, and the question of what the G7 can do to support global trade."*

Our interviewees did not shy away from emphasising the hard realities of UK's economic clout and influence, yet they guided us towards areas in which they believe the UK has immediate opportunities to move forward and influence the

²²Truss, E. (2021) *Opening statement on Global Britain debate*, GOV.UK. Available at: <https://www.gov.uk/government/speeches/opening-statement-on-global-britain-debate>.

global agenda. The UK's role as chair of the G7 and host of COP26 provides excellent stages for Global Britain's first prominent international forays.

Senior UK Treasury Official *"We're quite good at international economic leadership - good at forging consensus at the G7, that goes back a long time. See what we delivered in 2013, 2008 and 2005."*

Senior Cabinet Office Official *"The fact that we hold the key to multilateral processes next year, and the chair to the G7 is good, and Biden understands that health and resilience, climate and nature, are all essential to trade and the future economy."*

Senior Bank of England Official *"The G7 is not what it was but it's also having a bit of a new lease of life because the G20 has China in it and is therefore becoming more difficult to navigate. The G7 has become a more like-minded club and better for caucusing."*

William Bain, British Retail Consortium *"The UK Government says it intends to play an active role in multilateral institutions e.g. G7/COP 26. This will be an opportunity for the UK to show global leadership outside EU institutions, that it is agile and able to forge coalitions with people across the world."*

Kevin Ellis, Chairman of PWC UK *"As hosts of COP 26, the UK has the opportunity to showcase its strengths and commitments to action. Climate technology will be increasingly crucial, and with that comes the need for new skills. Our renowned education system will play a key role in this, as well as employers alike."*

In this paper we explore, across a number of areas, what a pragmatic and realistic Global Britain agenda might look like. From trade and migration to domestic policy and narrative, we find that the UK government faces a series of important choices both in external and internal economic policy which will shape the success and perception of post-Brexit Britain.

Global Backdrop

Our interviews painted a rapidly shifting backdrop of events against which Global Britain must emerge. Most prominent were Covid-19, the role of China and a wider shift in power away from the Old World. What is more, this year the UK must work out how to deal with leaving the EU, manage the ramifications of the new UK-EU deal, and face the challenge of chairing the G7 and the COP.

Covid-19

Globally, Covid-19 has transformed the trade landscape as efforts to contain the virus have led to repeated suspension in economic activity. The WTO forecasts a 9.2% decline in world trade volumes in 2020, only partly offset by a projected 7.2% increase in 2021.²³ The pandemic is yet another blow to the march of globalisation, following a year of US-China trade tensions. Covid-19 poses a huge

²³ World Trade Organization (2020) 'Trade shows signs of rebound from Covid-19, recovery still uncertain' 6 October, Available at: https://www.wto.org/english/news_e/pres20_e/pr862_e.htm

test to countries facing the challenge of domestic recovery: unemployment is projected to be 2.2% higher than pre-crisis levels,²⁴ the UK's unemployment level is predicted to rise to 8.3% by the last quarter of 2020/21²⁵.

Senior Downing Street Official *"We're currently looking at historical precedents for interventions in key areas and key sectors that got hit by a combination of Brexit and Covid-19 - for example the automotive sector. We are looking at whether workers in this sector can transition into growing industries, such as the green jobs plan."*

Tony Danker, CBI *"We have just had two shocks, Brexit and Covid-19, that have necessitated for the first time in our history a need for an economic vision of Britain. This vision is likely to include the following components; net zero commitments, a focus on regional equality and the competitiveness of our economy."*

Brussels-Based Foreign Office Official *"We're trying to play a bigger global role as part of build-back-better post-Covid. The theory is we have a lot of opportunity to set up new domestic regulatory structures post-EU. But the question remains of how do we do that in an innovative way, especially given worsening public finances?"*

The US and China

Our interviewees were caught between the importance of capturing economic opportunities including investment and trade with China,²⁶ against concerns about security, geopolitics and the impact of Chinese trade on the domestic economy. The new Biden administration has largely left Trump's China policies untouched, maintaining the risk we identified in our previous paper that the UK will be drawn into an emerging US foreign and economic policy based on anti-China bilateralism.

Senior Cabinet Office Official *"Biden, despite being an internationalist, is going to carry on with a fairly aggressive China policy".*

Tharman Shanmugaratnam, Senior Minister of Singapore *"We haven't yet had to choose between the US and China but that day may come. There are some issues on which the tensions are becoming more extreme, such as technology, so national interest requires that you don't have too much exposure to any one player. If you have Chinese technology you don't just have vulnerabilities only to the Chinese, but also to the Americans."*

Maria Dermertzis, Deputy Director at Bruegel Think-Tank *"So long as Trump was in place, it was convenient for the EU not to have a firm stance on China, and could ignore US pressure. But now we have a reasonable US administration with Biden, it will be a lot more difficult for the EU to ignore US pressure. Where does the UK stand here?"*

²⁴ OECD (2020) 'OECD Unemployment Rates', 12 October, Available at: <https://www.oecd.org/newsroom/unemployment-rates-oecd-update-october-2020.htm>

²⁵ Migration Advisory Committee (2020) 'Review of the Shortage Occupation List 2020', Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/927352/SOL_2020_Report_Final.pdf

²⁶ The Economist, (2021) 'Britain has lost the EU. Can it find a role?', 2 January, Available at: <https://www.economist.com/leaders/2021/01/02/britain-has-lost-the-eu-can-it-find-a-role>

Shift towards the Global South

Covid-19 and US / China tensions sit on top of a steady structural shift in the global economy. While historically the greatest volumes of international trade have been between rich countries, is being transformed by increasing trade between in the Southern Hemisphere. In Britain, a “*tilt to the Indo-Pacific*” in foreign-policy thinking is already underway,²⁷ and is paired with a shift in economic priorities - it is reflected by the UK’s recent application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (‘CPTPP’). A closer economic relationship with faster growing markets is seen as a way for the UK to compensate for trade lost by leaving the EU single market.

Wayne Swan, Former Australian Finance Minister *“Britain is in a good starting position to develop linkages in Eurasia – but even in Australia we’re not as good at Asia relationships as we should be.”*

Senior Downing Street Official *“The UK has the opportunity to take an eye-wide open approach to China with the support of Pacific Rim partners.”*

Ambassador Nicholas Burns, Harvard Kennedy School *“Britain already has a lot of good relationships in the Global South and one of the key questions for post-Brexit Britain is what will it do with the Commonwealth, will it remain ceremonial or will it slowly build into a more substantial club?”*

John Mills, John Mills Limited *“EU markets are growing very slowly and the rest is growing much more rapidly so I think we’re better off concentrating on that.”*

²⁷ Hayton, B. (2020) ‘China and Brexit Drive the UK’s ‘Tilt’ to Indo-Pacific’ Chatham House, 27 November, Available at: <https://www.chathamhouse.org/2020/11/china-and-brexit-drive-uks-tilt-indo-pacific>

1. Trade Policy

One upside of Britain's departure from the EU is freedom to pursue an independent trade policy. The UK has moved from a customs union to a zero-tariff, zero-quota goods trade agreement with the EU, and has 'rolled over' most agreements with non-EU countries accessed through EU membership. However, 37% of Britain's trade, representing around 10% of its GDP, is still on WTO terms.²⁸ UK trade policy must define an approach to this trade, as well as whether and how to deepen trade within current agreements, especially in services which are crucial to the UK economy.

Should the UK prioritise Multilateral, Bilateral, or Plurilateral deals?

The multilateral trading system remains dysfunctional

Our interviewees broadly agreed that Global Britain should openly support the multilateral trading system. It should seek to restart efforts at the WTO which has been in deadlock since 11 December 2019, when its Appellate Body lost the quorum of three members necessary to decide appeals of WTO settlement dispute panel decisions.²⁹ However, most were not confident that the current crisis could be resolved easily.

Senior UK Treasury Official *"Nobody is particularly optimistic about multilateral trade or reviving the WTO. People will talk about it, but there is no real sense that it will happen very quickly."*

Sajid Javid, Former UK Chancellor of the Exchequer *"We've got a full seat again at the WTO. The Trump administration has meant it has been marginalised, but it remains an important organisation, we should support its key aims."*

Senior Cabinet Office Official *"This government is actually rather more multilateral than you might think, and this Prime Minister is more multilateral probably than the government as a whole."*

Though some hope that the incoming Biden Administration will renew efforts at resolving conflicts between WTO members, bandwidth and difficulty reaching consensus remain major obstacles.³⁰ Even the boost of optimism following the unanimous appointment of Ngozi Okonjo-Iweala, might be hard to sustain without concrete changes in the attitude of the largest members: China and the US.

²⁸ Office For National Statistics (2020) *UK total trade: all countries, non-seasonally adjusted - Office for National Statistics*, Office For National Statistics Datasets, Available at: <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktotaltradeallcountriesnonseasonallyadjusted> All figures 2019.

²⁹ Baschuk, B. (2021) 'U.S. Delays Effort to Restore WTO's Key Decision-Making Power', Bloomberg, 25 January. Available at: <https://www.bloomberg.com/news/articles/2021-01-25/u-s-delays-effort-to-restore-wto-s-key-decision-making-power>

³⁰ Lanktree, G. (2021) *5 things to expect from Joe Biden on UK trade*, POLITICO, 20 January Available at: <https://www.politico.eu/article/five-things-to-expect-from-joe-biden-on-uk-trade/>

One of Biden's first acts in office was to tilt large parts of Federal spending toward "made in America" products.³¹

Sajid Javid, Former Chancellor of the Exchequer *"Even before the pandemic, it was going to be tough to revive the multilateral system. Without a pro-trade US, reinvigorating the system will be really difficult."*

Anand Menon, Director of UK in a Changing Europe *"With President Biden we have common interests on restoring the multilateral system, advancing the liberal international order, and countering authoritarian regimes."*

Bilateral and Plurilateral deals are more feasible in the near future

Bilateral and plurilateral deals were considered more realistic goals in the near-term for UK trade than multilateralism. An emerging consensus was that global trends were moving towards deepening trade relations between countries with shared values or interests. For example, the 'D-10' grouping of major democracies recently suggested by the UK government,³² or regional coalitions of countries. These blocs could be issue-based coalitions, for example on the regulation of e-commerce or data, or wider groups that include military and foreign policy goals. While interviewees were excited about the prospects for smaller groupings, there was some caution about their effectiveness.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"The Bretton Woods system has more or less broken down. We're now moving towards something that's a little more values-based, with aligned countries grouping around issues. Therein lies a huge opportunity for the UK."*

Senior UK Treasury Official *"It is not given that the norms and standards and principles will evolve in a way that reflects our values. This requires a genuine G7-OECD broader agenda, not bilateral agreements."*

Shashank Joshi, The Economist *"There is a growing mood of minilateralism and plurilateralism with new small diplomatic groups and coalitions taking shape in different parts of the world."*

Trade deals signed since Brexit have been primarily bilateral, with all but one (Japan) being copies of EU FTA arrangements "rolled over" to maintain continuity.³³ The trade deal with Japan, signed in October 2020, was very similar to the EU-Japan deal, albeit with additional chapters on e-commerce and financial services.³⁴

Dennis Novy, University of Warwick *"The general issue for the UK - as seen in the recent announcements on UK-Japan - is that the content of the Japan deal*

³¹ Schipma, S. and Muenzfeld, D. (2021) The Biden Administration's 'Made in America' Executive Order: A Move to Strengthen U.S. Preferences in Federal Spending, The National Law Review. Available at: <https://www.natlawreview.com/article/biden-administration-s-made-america-executive-order-move-to-strengthen-us>.

³² Forsyth, J. (2020) 'How will Number 10 deal with Joe Biden?' The Spectator, 23 October, Available at: <https://www.spectator.co.uk/article/how-will-number-10-deal-with-joe-biden>

³³ Edgington, T. (2021) 'Brexit: What trade deals has the UK done so far?', BBC News, 8 February. Available at: <https://www.bbc.com/news/uk-47213842>.

³⁴ Panjwani, A. (2020) 'Is the UK's trade deal with Japan better than the EU's?', Full Fact, 30 November Available at: <https://fullfact.org/economy/japan-eu-deal-thornberry/>

mainly amounts to the grandfathering of the existing EU agreement with Japan with some additional changes on top.”

Stephanie Wray, Biocensus "At the moment the UK government is very keen to close trade deals. We hear an awful lot about the trade deal with Japan - which is just the EU trade deal with the word 'EU' tippexed out."

The UK is yet to sign a deal with a country that had not first negotiated a deal with the EU, though talks with Australia, New Zealand, and the US are ongoing. Of these, Australia may be the most likely candidate for the UK's next FTA, with sources claiming a deal could arrive as soon as spring 2021.³⁵

Tharman Shanmugaratnam, Senior Minister of Singapore "An independent player like Britain must carve a role for itself that is forward-looking and growth-oriented. This must go beyond simply reintegrating and having the sort of continuity agreements that it had through the EU."

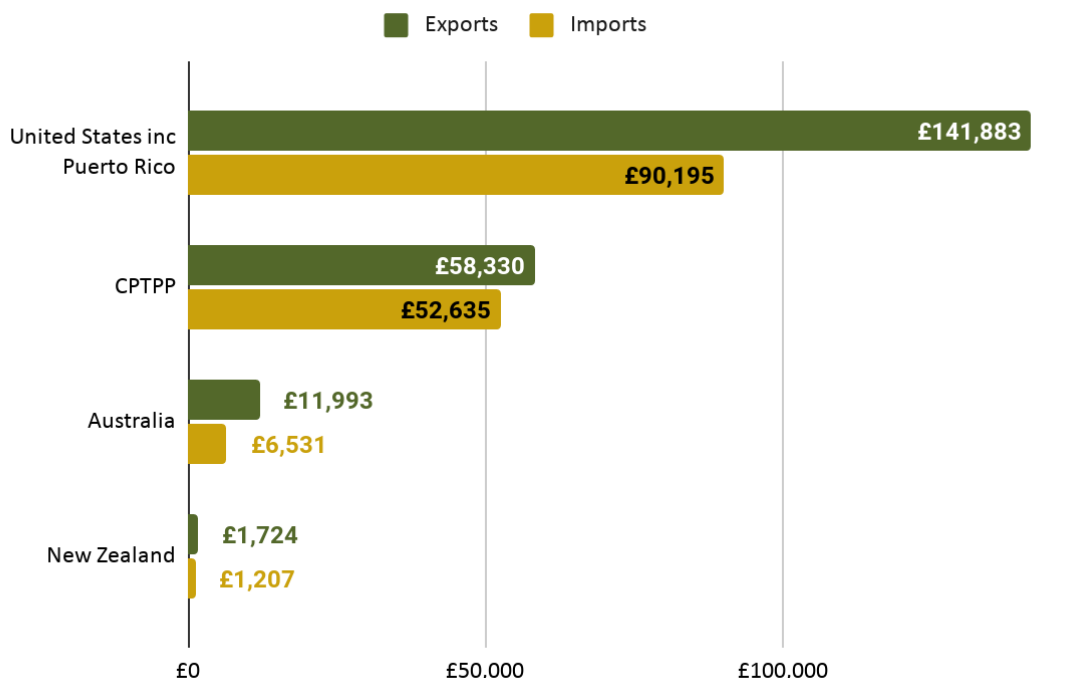


Figure 7: Trade with proposed UK Free Trade Agreement Partners, 2019. Data: ONS Total Trade by Country.

As Figure 7 above shows, UK trade with Australia is a fraction of trade with the US, seen by many as the most valuable possible FTA partner. However, even for the US, the potential impact of FTA is still only 0.16% of GDP over a 15 year time horizon, as estimated by the Government.³⁶

Although interviewees cited enthusiasm on the UK side for a deal with the US, general sentiment was that it was unlikely to come to fruition any time soon. This was consistent with the finding from our previous paper 'Will Prioritising a UK-US

³⁵ Boscia, S. (2021) 'Exclusive: UK's next free trade deal set to be with Australia', CityAM, 28 January, Available at: <https://www.cityam.com/exclusive-uks-next-trade-deal-set-to-be-with-australia/>

³⁶ Department for International Trade (2020) 'The UK's approach to trade negotiations with the US', 2 March, Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869592/UK_US_FTA_negotiations.pdf

Free Trade Agreement Make or Break Global Britain? that a deal with the US would not come early or easily. A US-UK FTA would force the UK to confront the strategic dilemmas posed by a US committed to a foreign and economic policy based on anti-China bilateralism, and raise issues for agricultural and pharmaceutical regulation. Early signals from the Biden administration suggest a UK-US FTA is not a priority.³⁷

Sajid Javid, Former Chancellor of the Exchequer *"House Democrats today are not the same as under Obama - they are much more trade sceptical."*

Craig VanGrasstek, Harvard Kennedy School *"If what you want is an FTA with the United States, it will likely take place across multiple administrations."*

Even numerous bilateral deals may only deliver meagre gains

The DIT has scaled up its resources rapidly in order to launch a flurry of new trade negotiations.³⁸ This is much needed given the UK Government's July 2020 stated ambition to "secure FTAs covering 80% of UK trade within the next three years".³⁹ Our interviewees were quick to caution that focus should be on the quality, not the quantity, of FTAs.

The impact of some of the bilateral deals posed is small. Figure 8 below shows government analysis of the long run (15 year) impacts of newly proposed FTAs.⁴⁰ The figures show that potential bilateral GDP improvements are much smaller than the losses experienced by leaving the Single Market. DIT analysis estimates that a US FTA would increase UK GDP in the long run by 0.07%.⁴¹

For other FTAs under negotiation, such as Australia and New Zealand, the estimated impact on long-run GDP is even smaller, at 0.01%-0.02% for Australia. No noticeable change in headline GDP estimated from a New Zealand deal.^{42 43}

Dominic Goudie, Food and Drink Federation *"It doesn't really feel that we've thought about what we're doing, and how we're going to do it. There's a rush to act rather than working out what is best for us."*

³⁷ Wintour, P. (2020) 'Joe Biden warning dashes UK hopes of early US trade deal' *The Guardian*, 2 December, Available at: www.theguardian.com/politics/2020/dec/02/uk-hopes-of-early-us-trade-deal-dashed-by-biden-warning

³⁸ Institute for Government (2020) 'Change in departmental staff numbers since the EU referendum', The Institute for Government. Available at: www.instituteforgovernment.org.uk/charts/change-departmental-staff-numbers-eu-referendum

³⁹ Department for International Trade (2020) 'UK-Australia free trade agreement: the UK's strategic approach', GOV.UK, 17 July, Available at: www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach

⁴⁰ Figures represent the counterfactual change to GDP growth compared to without a deal (or, for the EU FTA, remaining in the EU).

⁴¹ Department for International Trade (2020) 'The UK's approach to trade negotiations with the US', GOV.UK, 2 March, Available at: www.gov.uk/government/publications/the-uks-approach-to-trade-negotiations-with-the-us. 'Long Run' is 15 years from the implementation of the agreement.

⁴² Department for International Trade (2020) 'UK-Australia free trade agreement: the UK's strategic approach', GOV.UK, 17 July, Available at: www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach

⁴³ Department for International Trade (2020) 'UK approach to negotiating a free trade agreement with New Zealand', GOV.UK, 17 June, Available at: <https://www.gov.uk/government/publications/uk-approach-to-negotiating-a-free-trade-agreement-with-new-zealand>

Dennis Novy, University of Warwick "The real question is, can the UK come up with its own trade agreements that really have a lot of core UK interests at their heart? It's not just quantity, it's quality."

Trade Deal (best 'scenario 2' case)	Change to GDP over 15-years (lower range – upper range)	Impact in £ on GDP compared to 2019. ⁴⁴
United States	+0.16% ⁴⁵ (+0.05% and +0.36%)	£3.48bn
Australia	+0.02% ⁴⁶ (+0.02% and +0.03%)	£0.43bn
New Zealand	0.00% ⁴⁷	N/A
Japan	0.07% ⁴⁸	£1.52bn
CPTPP	No estimate yet given ⁴⁹	N/A
UK-EU Average FTA (2018 Estimate)	-4.9% (-6.4% to -3.4%) ⁵⁰	-£106.45bn

Figure 8: Comparison of GDP impacts across proposed UK FTAs

⁴⁴Office for National Statistics (UK). (2021). *Gross domestic product (GDP) of the United Kingdom from 1948 to 2020 (in million GBP)*. Statista. Statista Inc.. Available at: <https://www-statista-com.ezp-prod1.hul.harvard.edu/statistics/281744/gdp-of-the-united-kingdom/>

⁴⁵Department for International Trade (2020) 'The UK's approach to trade negotiations with the US', GOV.UK, 2 March, Available at: www.gov.uk/government/publications/the-uks-approach-to-trade-negotiations-with-the-us .

⁴⁶Department for International Trade (2020) 'UK-Australia free trade agreement: the UK's strategic approach', GOV.UK, 17 July, Available at: www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach

⁴⁷Department for International Trade (2020) 'UK approach to negotiating a free trade agreement with New Zealand', GOV.UK, 17 June, Available at: <https://www.gov.uk/government/publications/uk-approach-to-negotiating-a-free-trade-agreement-with-new-zealand>

⁴⁸Department for International Trade (2021) *UK-Japan free trade agreement: the UK's strategic approach*, GOV.UK. Available at: <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-japan/uk-japan-free-trade-agreement-the-uks-strategic-approach>.

⁴⁹Parker, G. and Williams, A. (2021) *UK applies to join trans-Pacific trade group*, *Financial Times*. Available at: <http://www.ft.com/content/000afd84-8c12-4cf2-8639-5b0f8e4092b7>.

⁵⁰Prime Minister's Office and Department for Exiting the European Union (2018) 'EU exit: Long-term economic analysis'. GOV.UK. Page 12. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis_1_.pdf

Senior UK Treasury Official *"Our trade policy is very FTA focused. We need to think about the countries we're not doing FTAs with."*

Daniel Keohane, Centre for European Reform *"For the impact on UK GDP, there's no comparison between the importance of a deal with the EU, versus what has been agreed with Japan or what might be agreed with the US."*

Several interviewees focused on a deal in services, in which the UK maintains a significant trade surplus of £93bn.⁵¹ However, barriers to trade in services such as regulatory requirements and restrictions on the movement of people can be difficult to lower for a variety of reasons, including politics. They often require alignment with or recognition of (and thus some reliance on) other countries' regulatory standards and systems.

Senior Cabinet Office Official *"What Covid-19 has shown us is that services are much more mobile than we thought. This creates huge risk, and opportunity."*

Angus Canvin, UK Finance *"Big financial services chapters in trade deals are highly ambitious. Given the way nations do trade in services, we have to focus on incremental steps."*

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"If the G20 liberalised services trade by as much as goods trade, the trade deficit for the US and the UK would be cut in half."*

Plurilateral deals could be a way forward, especially in services

Plurilateral deals, especially in services, were identified as appealing options - particularly if the UK can keep the door open for a plurilateral arrangement to expand outwards and engage major players such as the EU and US. They could also open up the possibility to expand membership to the EU and US, and eventually re-engage the multilateral system.

Senior UK Government Official *"Things won't move forward on the multilateral front, so the implication is to do things bilaterally or plurilaterally- I can imagine a plurilateral initiative on services."*

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"Canada, Singapore and Switzerland will be persuadable on services. The UK should convince the US that service liberalisation is the way to get a decent trade surplus with China."*

David Wright, Former European Commission Official *"I see nothing wrong with building out from coalitions of the willing. But global trade cannot operate without a dispute settlement mechanism."*

⁵¹ Office For National Statistics (2020) 'International trade in services, UK: 2018' Office For National Statistics Datasets, 31 January Available at: <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/bulletins/internationaltradeinservices/2018>

The UK government announced its intention to join CPTPP on 31 January 2021.⁵² Our interviewees were split in their support for this. Though the UK already has FTAs with many CPTPP members, if the US were to join membership could accrue significant benefits, and a possible “platform” from which to restart the multilateral system.

Sajid Javid, Former Chancellor of the Exchequer *"The CPTPP is definitely worth pursuing, and the DIT has been very interested in joining."*

Shanker Singham, CEO Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary: *"The Biden administration may not want to accede to the CPTPP in the first half of its term, but more likely in its second half. If the UK joins as well, then 60% of the global economy is in the CPTPP, which would challenge inaction in the WTO and spur it to make progress."*

Tharman Shanmugaratnam, Senior Minister of Singapore *"If multilateralism isn't possible, a second best approach is to find a pathway towards it. The UK's aim to join CPTPP is a very good example. The US may also join; that will de facto create something close to multilateral."*

Brussels-Based Foreign Office Official *"The EU will be watching UK attempts to build more pacific-facing relationships like a hawk. They'll be conflicted because they'll want to be above it, but the Commission is a many-headed beast and they have lots of shared interests such as WTO reform."*

On the other hand, several of our interviewees expressed concerns with the terms and partners to the agreement. Others pointed to the risk for the multilateral system if trading partners focus resources on bilateral or plurilateral efforts.

Laura Cohen, British Ceramics Confederation *"We are a bit nervous about CPTPP because of concerning links between some of the partners and modern slavery."*

Rosa Crawford, TUC *"The government has said that it wants to use the Australia and New Zealand deals as a way to get into the CPTPP. That is a trade deal which trade unions completely oppose because it has no effective enforcement of labour standards, includes Investor-State Dispute Settlement clauses and exposes public services."*

Craig VanGrasstek, Harvard Kennedy School *"The best way to reinvigorate the multilateral system would be for Washington and its current FTA negotiating partners (i.e., Brussels, London, and Tokyo) to jettison those talks in favour of a joint effort to renew serious negotiations in the WTO."*

⁵² David, D. (2021) 'UK applying to join Asia-Pacific free trade pact CPTPP', BBC News, 31 January, Available at: <https://www.bbc.com/news/business-55871373>

Will UK trade behaviour be collaborative, conciliatory or adversarial?

An adversarial approach to trade is likely to fall flat

The UK will now have to shape an idea of the 'type' of player that it will be. Will the UK focus on Britain first bilateralism or alliance building through brokerage and collaboration? These decisions come at a time when globalisation is in retreat and many countries are seriously questioning the domestic impact of recent trade liberalisation. The Trade Openness Index ("TOI"), a measure of global openness to trade, began declining in 2008 for the first time since WW2. This trend, toward greater protectionism, has not reversed even after recovery from the global financial crisis.⁵³

Professor Robert Lawrence, Harvard Kennedy School *"There is a danger that the combination of shaky supply chains as seen during Covid, and issues of national security vis a vis China, leads us to use economic security as a pretext for more government intervention and protectionism."*

Wayne Swan, Former Australian Finance Minister *"When looking at trade strategies it's a pretty murky world. It's fair to say that there is much to learn about how to operate in a less friendly world."*

Some interviewees were sceptical that the UK could deliver on its stated goals for trade, and identified that being arrogant will cause the UK problems. If the UK acts adversarial, attempting to leverage the threat of trade sanctions or focusing on deals that prioritise the UK rather than shared benefit, this is unlikely to be effective given the UK's size and position.

Thomas Sampson, London School of Economics *"The UK is too small a country, both economically and militarily, to seek the same global role that the US, China, India or the EU could take."*

The UK needs to show itself as a co-operative partner, not a bully

Some are concerned that the UK government's conduct in the EU negotiations have damaged its international reputation. Attempts to break international law by overriding the Northern Ireland protocol of the EU withdrawal agreement may not have been acted upon, but raised concerns of damaging international trust in the UK's commitment to the rule of law.⁵⁴

Thomas Sampson, London School of Economics *"The UK's professed willingness to breach an international treaty during the Brexit negotiations has*

⁵³ Douglas A. Irwin (2020) 'Globalization is in retreat for the first time since the Second World War', Peterson Institute for International Economics', 23 April, Available at: <https://www.piie.com/research/piie-charts/globalization-retreat-first-time-second-world-war>

⁵⁴ Venus, J. (2020) 'Internal Market Bill prompts questions on UK's commitment to rule of law', International Bar Association, 1 October, Available at: www.ibanet.org/Article/NewDetail.aspx?ArticleUid=9BAF06E8-251F-4DFF-B6D5-504D9555CAD8

harmed its international credibility and makes it harder to do deals with other partners."

David Wright, Former European Commission Official *"Let's forget carving out any sort of serious leadership at global level if leaders illegally try to prorogue Parliament, abrogate international agreements, attack the legal profession, the broadcasting media and cut back overseas development aid."*

However, government officials felt that disagreements during the withdrawal process have not damaged the UK's relationships with the world.

Senior Downing Street Official *"If I talk to real hard-headed foreigners, in Berlin, Washington, Canberra, they say that the Brexit negotiations have had no impact on their view of the UK as a potential partner."*

Senior UK Treasury Official *"Most countries we work with have got over Brexit. Other governments are ready to move on in ways that commentators, foreign and domestic, are not."*

Ultimately, the UK needs a collaborative approach, with both the EU and its other allies. If the UK seeks trade deals in services and digital trade this will require a higher degree of trust as close regulatory alignment or mutual standards recognition are essential.⁵⁵ Engaging with prospective trading partners in a cooperative rather than adversarial manner will best facilitate the trade deals needed to arrive at Global Britain's stated goals.

Shanker Singham, CEO Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary *"A middle power cannot do this by themselves. Only the US or China could - even then maybe not. The UK needs to work with its allies with their goals in all these different areas."*

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"Efforts to liberalise services will only ultimately be effective if other members of the league of democracies are part of those efforts as active members - not just reluctantly dragged along members."*

Angus Canvin, UK Finance *"We need to get an institutional foundation on regulatory and supervisory co-operation, which can then deliver trade enhancing outcomes."*

To what extent should UK Trade be non-EU?

Adjustment is possible, but gravity can't be ignored

Global Britain will have to decide how much the countries it trades should change post-Brexit, including which countries to focus on for upcoming trade deals.

Brussels-Based Foreign Office Official *"That is the Global Britain 'thing' - that there is nothing unique about the EU, it is just another counterparty. So, if we're thinking about doing something with the EU, we will do it based on its merits rather than because they are our European partners."*

⁵⁵ PricewaterhouseCoopers (2019) *Technology and trust should be the drivers of digital trade when distance matters*, PwC. Available at: www.strategyand.pwc.com/uk/en/digital-trade/the-future-of-digital-trade.html

Kevin Ellis, Chairman of PWC UK *"It's not about relying on legacy perceptions or given assets such as our time zone, but building on what we have."*

Britain must acknowledge that, regardless of efforts with other countries, by far the most important trade relationship will be with the EU. It accounted for approximately 47% of UK trade in 2019.⁵⁶ As figure 9 below shows, a 5% fall in UK trade with the EU would require very large increases in trade with other target partners to compensate.

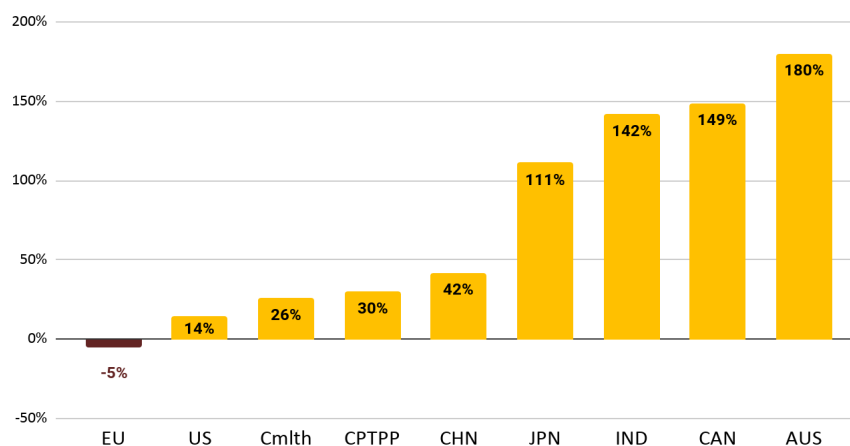


Figure 9: Increase in Total Trade (Goods & Services, Imports + Exports) to offset a 5% reduction in UK-EU trade. Data: ONS Total Trade by Country, 2019

The EU deal did not avoid the establishment of new trade barriers,⁵⁷ leaving numerous issue areas such as financial services open.⁵⁸ UK trade policy should focus on seeking areas where trade frictions with the EU can be reduced.

Rosa Crawford, TUC *"Right from when Global Britain was unveiled we have refuted the underlying assumption that trade deals with other countries could substitute for a comprehensive EU trade deal that protects jobs, rights and peace in Northern Ireland."*

Rob Driscoll, Electrical Contractors' Association *"On average, 17% of our clients' workforce is from the EU, but there is a higher concentration in London and the South East. There are many indirect dependencies on the supply chains linked with the EU."*

Non-EU trading partners hold risks, but the reward may be worth it
Emerging markets outside the EU have been long feted as a way to diversify away from dominant trading partners. Some interviewees cited the possibility of the UK

⁵⁶ Ward, M. (2020) 'Statistics on UK-EU trade', 10 November, Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7851/>

⁵⁷ Phinnemore, D. (2020) 'Post-Brexit trade deal: the gaps worth noting', The Conversation, 29 December, Available at: <http://theconversation.com/post-brexit-trade-deal-the-gaps-worth-noting-152568>

⁵⁸ Politico (2021) 'The policy headaches the EU-UK Brexit deal didn't solve', POLITICO, 12 January Available at: <https://www.politico.eu/article/outstanding-uk-eu-brexit-headaches-trade-customs-health-care-travel/>.

situating itself as a European-adjacent services 'base' for global firms. Several countries adjacent to China were cited as models for the UK.

Professor Robert Lawrence, Harvard Kennedy School *"Countries such as Vietnam, Cambodia and Thailand compete with China in offering services to multinational firms, not necessarily with a view to exploiting Chinese markets, but as a friendly alternative base to serving the world."*

Senior Bank of England Official *"The Singaporeans are a fantastic example of a tiny jurisdiction who have leveraged their financial services industry and regulation to an enormous extent. They've positioned themselves as the interpreters of China."*

Most of the UK's fastest growing export partners in 2018 were emerging economies, and opportunities to tap into the rapid growth seen in parts of East Asia have been highlighted by the British government.⁵⁹ But not all interviewees were supportive of the UK's conduct in these negotiations.

Tharman Shanmugaratnam, Senior Minister of Singapore *"The UK should look for integration with growing parts of the global economy."*

Rosa Crawford, TUC *"It is clear from the negotiating partners the UK has privileged and the way it has pressured countries like Kenya to sign trade deals on the threat of losing market access to the UK that it is entrenching a system of Global North dominance over the Global South. The politics are deeply toxic and we reject them."*

Some interviewees identified that engaging with new international trade partners risks the UK's relationship with its allies. Though none of our interviewees felt that balancing between the EU and new or expanded trading partners was impossible, they cautioned against alienating the UK's closest trading partner.

Rem Korteweg, Clingendael Institute *"A clear opportunity is creating closer ties to China with the Regional Comprehensive Economic Partnership deal. The Americans wouldn't be happy, but the geopolitical significance might not be as scary as Italy joining the Belt and Road."*

Tharman Shanmugaratnam, Senior Minister of Singapore *"America, China and the EU have been hedging their position on smaller countries having multiple trading relationships. But the UK should be careful that integration with Europe is not damaged because that is the nature of your economy, your businesses, and therefore your jobs."*

How should trade be prioritised against other domestic outcomes?

Having to craft its own trade policy for the first time in 50 years will be a serious challenge for the British government. But also a huge opportunity to make trade policy an active contributor to shared economic objectives.

⁵⁹ Department for International Trade and The Rt Hon Liam Fox MP (2019) 'Emerging markets dominate UK's fastest growing export partners' GOV.UK, 25 April, Available at: <https://www.gov.uk/government/news/emerging-markets-dominate-uks-fastest-growing-export-partners>

Stephen Adams, Global Counsel *"Before you get onto Global Britain you should start with a proper understanding of what globalised Britain actually looks like. Where does it source its goods from? To what extent does it rely on imports in order to produce exports?"*

Several interviewees were concerned that domestic pressures would lead a lurch towards protectionism, particularly in sensitive sectors such as agriculture.

Professor Robert Lawrence, Harvard Kennedy School *"One vision of Global Britain is a more open economy, but it seems more likely that it will move more towards protectionism."*

Stephen Howarth, Agricultural Economist *"Brexit could actually make farming more productive in the long-run, by forcing farmers to be more innovative as they're more exposed to the market."*

Global Britain must decide the importance of trade against other goals

There were a range of views on the relative importance of trade and domestic concerns. A few interviewees advocated an approach to trade where the importance of trade policy, such as targets for exports to be a specific % of GDP, is increased relative to other domestic or foreign policy interests. But many others felt strongly about domestic need driving trade policy.

Josh Cameron, FTI Consulting *"Global Britain prioritises trade interests over other domestic concerns. We need to ask what do these decisions mean for British trade regardless of their impact on domestic sellers?"*

Robert Sheasby, Agricultural Industries Confederation *"Agriculture and food production are a key strategic asset. If you enter into a trade agreement that undermines food security at any cost then it's a very bad idea."*

All interviewees saw opportunities for trade policy and domestic concerns to be mutually reinforcing. For example, the UK has the opportunity to lock in high standards in areas such as environmental and labour regulation that go further than current EU trade deals.^{60 61}

Rosa Crawford, TUC *"If the UK strikes future trade deals that lock in the highest standards through effective enforcement mechanisms, we could set a precedent for global trade."*

Dominic Goudie, Food and Drink Federation *"China has had food scares - and Chinese consumers go to the UK looking for safe, affordable food. The UK is not a global powerhouse in commoditised food; we produce niche, high-quality products, innovative and healthy and this is where the opportunity lies."*

⁶⁰ Harrison, James, Richardson, Ben, Campling, Liam, Smith, Adrian, and Barbu, Mirela. 2017. 'Taking Labour Rights Seriously in Post-Brexit UK Trade Agreements: Protect, Promote, Empower', CSGR Working Paper No. 274/17, Centre for the Study of Globalisation and Regionalisation, University of Warwick. Available at: www.warwick.ac.uk/csgr/papers/274-17.pdf.

⁶¹ Aldersgate Group (2020) *Policy Briefing: Aligning the UK's Trade Policy with its Climate and Environmental Goals*, Aldersgate Group: *Leaders for a Sustainable Economy*. Available at: <https://www.aldersgategroup.org.uk/latest/page:2#uk-trade-policy-must-be-aligned-with-environmental-and-climate-goals>.

Conclusion: This is the Global Britain choice

- Reviving multilateral trade is a difficult long-term challenge, but bilateral deals are too narrow to offer significant upside benefit
- Plurilateral deals have more immediate potential, particularly in services, and can be stepping-stones toward multilateralism
- The EU and US may be reluctant to engage in a new push on service sector liberalisation, but the UK should keep the door open
- An adversarial approach with the EU is not in the UK's interest - new trading relationships must not alienate our most significant partner
- Trading relations which deliver domestic outcomes and greater equality should be prioritised, for example support for SMEs

2. Global Rules of the Game

Upon leaving the EU, Britain has gained new freedom to set its own standards and rules. The UK government's stated ambition is to be a leader that will "promote modern rules that are relevant to people's lives for digital and data trade" and "champion high environmental and animal welfare standards".⁶² As Global Britain emerges, it will need to decide how it will use its sovereignty to develop and influence the global rules of the game.

What is the UK's regulatory philosophy?

Britain is now freer to decide which regulations or proposals to join or not. However, in a world increasingly dominated by large trading blocs, the UK lacks the clout to impose its regulatory approach or values on others and is likely to have to align with one particular view.

Dennis Novy, University of Warwick *"The general principle is that the regulations on new areas will be made by the big guys. Britain will need to decide which of the three blocs US, EU, China it needs to align with."*

William Bain, British Retail Consortium *"How does the UK fit into a world where you have three major trading blocs with whom it has relationships with but is not part of, and then aspires to lead the world in trade? It is difficult to see how the means can justify the ambition."*

Global Britain will not be 'sovereign' over regulation...

Parts of the FTAs that Britain is hoping to negotiate and sign in the coming years will require some degree of 'rule-taking' imposed by the other party Britain is negotiating with. Several interviewees stressed that efforts to influence others will often mean giving up some degree of control. This could either be through requirements to harmonise regulation to create shared rulebooks, or to rely on foreign regulatory procedures through mutual recognition procedures.

Thomas Sampson, London School of Economics *"If you look at how some of the Nordic countries act in international organisations, they know they don't lead the organizations, but they achieve influence by engaging in them, following the rules."*

Craig VanGrasstek, Harvard Kennedy School *"We need to avoid a story in which Britain seems like a protectorate of America. It's like Orwell's worry about the world becoming an American controlled entity, of which Britain is airstrip one."*

... However, the UK will still have substantial influence

Yet this doesn't mean the UK has no power to wield in choosing its regulatory approach. The UK has a significant role in many international bodies that set rules

⁶² Truss, E. (2021) 'Opening statement on Global Britain debate', GOV.UK. Available at: <https://www.gov.uk/government/speeches/opening-statement-on-global-britain-debate>

and standards and facilitate international collaboration.⁶³ Our interviewees from government were confident in the convening power of these fora, but cautious of overstating their ability to resolve global issues without effort from all sides.

Senior UK Treasury Official *"The G7 in recent years has become quite theatrical. The finance ministers meeting is still quite useful in setting up alignment on issues - "pre-cooking" for the G20 and IMF."*

Brussels-Based Foreign Office Official *"COP and G7 have convening power. But the UK faces challenges of bandwidth, and overcoming trust issues with the EU."*

Stephen Howarth, Agricultural Economist *"The British Standards Institute continues to actively participate within the CEN and ISO standards bodies, so our influence on European and global standards will be undiminished."*

Senior European Commission Official *"Britain has clearly got a cadre of talented diplomats which are great to cooperate with, but it will face a really difficult time influencing processes outside the EU."*

These structural positions, such as membership of the G7, G20 or even the Security Council and Britain's historic position as a major world player, gives the UK power to engage in new partnerships and broker between countries.

Sophia Gaston, British Foreign Policy Group *"The UK should be playing a really crucial role as our diplomatic skills are top tier. We have historically always played a crucial role in balancing and triangulation between different partners."*

Senior Downing Street Official *"We're bigger than Singapore and Canada, and more confident as a global player than Japan. Between the US and EU we must be smart and nimble."*

Brussels-Based Foreign Office Official *"We may see some new coalitions, such as with South Korea. There's a desire to shake things up a bit. Will still see a lot of EU partnerships. We're a flying buttress to the gothic cathedral of the EU. We'll do a lot of things with certain EU members, but pick and mix."*

Shashank Joshi, The Economist *"It's not a simple case of just picking an alliance and sticking with it. There are issues where middle powers can break with the bigger powers and go their own way, or act as a swing power."*

The UK can also, backed by its deep expertise and strong civil service, seize the opportunity for first mover advantage and experiment where others deem it too risky. Setting an example for other countries was often cited in our interviews as a powerful source of influence.

Senior Bank of England Official *"If you can show that something works in a fairly chunky mid-sized economy that's globally integrated - that's powerful."*

Senior Cabinet Office Official *"The areas where the UK can lead on are areas where there is no regulation at the moment, the future frontiers such as fintech."*

Senior UK Treasury Official *"The most interesting area to do things differently Post-Brexit will be in setting new regulations or in industries of the future where*

⁶³ Niblett, R. (2021) 'Global Britain, global broker: A blueprint for the UK's future international role, Chapter 3: Britain's Relative Position' Chatham House, 11 January, Available at: <https://www.chathamhouse.org/2021/01/global-britain-global-broker>

we can try and be pioneering and set standards. Whether that's an opportunity or we end up squeezed between two big blocs remains to be seen."

On which global issues should the UK take a leadership position?

UK influence can be maximised through careful prioritisation

Interviewees broadly shared the view that the UK needs to take a strategic approach regarding its role in global regulation. In some areas it may have to accept it will be a rule taker. That will enable prioritisation of those areas where Britain hopes to be a real innovator, agenda setter and potentially even rule maker. Our interviewees told us that, having obtained independence from EU positions, the UK *can* lead, but that it must choose carefully on which issues.

Senior Bank of England Official *"We are now free of co-operating with EU positions, but the EU never tried to enforce that in the G7 or G20. We are a bit less constrained in the positions we take because we can make our own policy - and so can take a leading role before the EU more often."*

Senior European Commission Official *"While you may have a difficult time proving leadership across the board, there are certainly some areas where the UK leads and I can see that you might wish to be at the forefront of international processes."*

This may require the UK to limit the number of issues on which it is trying to influence, and constrain itself to those which are domestically important.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"From a Canadian perspective - when you're a mid-power at best in the G20, you realise you have to pick your battles. Be informed on all of the topics and issues on the agenda, but pick one or two to focus on. You can't ever really "own" any issues."*

Senior UK Treasury Official *"There are only so many parts of the forest in which you can play. The UK is bigger than Norway, but similarly needs to be strategic about which parts it picks."*

Senior Bank of England Official *"There are opportunities for thought leadership. You need three things to move the international debate: Good ideas with a strong evidential base, strong diplomatic networks, and the political will to drive it. We're quite good at ideas. For example, the EU proposals on cryptocurrency rely on principles formed by the Bank of England."*

Our interviews identified the following areas which could serve as UK strategic priorities:

Open societies, democracy and defence of free markets

The UK has historically been an advocate for free trade, although this history is contested.⁶⁴ Many of our interviewees raised their hopes that Global Britain

⁶⁴ Saunders, R. (2019) 'Myths from a small island: the dangers of a buccaneering view of British history, *New Statesman*', 9 October, Available at: <https://www.newstatesman.com/politics/uk/2019/10/myths-small-island-dangers-buccaneering-view-british-history>

advocacy for democracy and openness could help respond to anti-democratic and protectionist trends across the globe. The government has stated its own ambitions in this space, with Foreign Secretary Dominic Raab calling for Global Britain to be a “*force for good*”.⁶⁵

In practice, this means the UK showing it remains a committed global player regardless of its departure from the EU.⁶⁶ Some of our interviewees highlighted Global Britain could leverage the G7 as a forum for democracies to apply common values to global challenges and defend human rights internationally. The Integrated Review of Security, Defence, Development and Foreign Policy currently underway is expected to set out in greater detail UK strategy for UK national security and foreign policy.⁶⁷

Tharman Shanmugaratnam, Senior Minister of Singapore *“In a world of diminishing advocacy there is much to be said for being a leading advocate for an open global order and investment in the global commons.”*

Senior Cabinet Office Official *“The UK is seeking to re-establish the basic purpose of organisations such as the G7 - to rebuild open societies, and democracy.”*

Brussels-Based Foreign Office Official *“I expect the integrated review to be internationalist in its instincts. For example, recommending to get the G7 back to its core purpose, of like-minded liberal democracies who apply their common values to global challenges.”*

Finance

The UK is the second largest financial services exporter in the world, after the US.⁶⁸ It retains strong regulatory institutions with leading positions in international regulatory fora.

For example, Bank of England Deputy Governor Jon Cunliffe was appointed chair of the Bank of International Settlements Committee on Payments and Market Infrastructures starting 2020,⁶⁹ and Bank of England Executive Director Victoria Saporta has chaired the Executive Committee of the International Association of Insurance Supervisors since 2015.⁷⁰ The Financial Conduct Authority currently chairs IOSCO’s Committee on Investment Management, and the Global Financial

⁶⁵ Rt Hon Dominic Raab MP (2019) ‘*Global Britain is leading the world as a force for good*’, GOV.UK, 23 September, Available at: www.gov.uk/government/speeches/global-britain-is-leading-the-world-as-a-force-for-good-article-by-dominic-raab.

⁶⁶ Hug, A. (2020) ‘*Finding Britain’s role in a changing world: Principles (and priorities) for Global Britain*’, The Foreign Policy Centre, 8 September. Available at: <https://fpc.org.uk/finding-britains-role-in-a-changing-world-principles-and-priorities-for-global-britain/>.

⁶⁷ Ministry of Defence and Cabinet Office (2020) ‘*Integrated Review of Security, Defence, Development and Foreign Policy*’, GOV.UK, 14 September, Available at: <https://www.gov.uk/government/collections/integrated-review-ministry-of-defence>.

⁶⁸ WTO Data, Trade in commercial services: Commercial services exports by extor and partner - annual (2005-2019) (Million US dollar). Figures 2019. Available at: <https://data.wto.org/>

⁶⁹ Bank of International Settlements (2019) ‘*Appointments made to lead BIS central bank groups*’, 11 November, Available at: <https://www.bis.org/press/p191111a.htm>.

⁷⁰ International Association of Insurance Supervisors (2015) ‘*Press Release: IAIS Concludes Annual General Meeting*’, 12 November, Available at: <https://www.iaisweb.org/file/57807/index>.

Innovation Network's Coordination Group.⁷¹ The UK could utilise this to exercise influence in setting strong regulatory standards.

Senior Bank of England Official *"We're quite good at ideas. For example, the EU proposals on cryptocurrency rely on principles formed by the Bank of England."*

Senior UK Treasury Official *"Central bankers are plugged in to the G7 and G20. For example, we started a conversation between central bankers on central bank digital currencies."*

Jo Johnson, Former Cabinet Minister *"It will be industries like finance that provide the ultimate litmus test of success."*

Leaving the EU has created widespread concern that the UK's financial sector, with 40% of banking and investment exports going to the EU,⁷² will deteriorate.⁷³ The UK is yet to be recognised as 'equivalent' to the EU across a range of financial sectors, introducing barriers to UK-EU finance trade.⁷⁴ Opportunities for leadership need to be carefully weighed against the risk of jeopardising any future financial services agreement with the EU.

Our interviewees focused on areas where the UK could lead through innovation in regulation, particularly in newer areas such as green finance and fintech. By setting an example of how to regulate for technologies such as data sharing through open banking or decentralised currencies, other countries may be influenced to adopt similar approaches.

Senior Bank of England Official *"Moving money around the world even just for retail commerce is very expensive and very slow. If the public sector doesn't provide something that is 21st century, then Facebook will."*

Angus Canvin, UK Finance *"In the comprehensive mutual recognition agreement envisaged with Switzerland, the UK is in the vanguard of financial services trade-enhancing measures. If it delivers what it aspires to it will be ground-breaking, advancing trade in financial services significantly."*

Jo Johnson, Former Cabinet Minister *"We need to make sure we're more than compensating for lost business to the EU by expanding our activities in faster growing areas, such as by putting in place an attractive framework for fintech and green finance."*

Digital

The EU General Data Protection Regulation ('GDPR') implemented in 2018 was a watershed moment for data protection regulation worldwide. But the digital space still represents a new frontier for regulation, and approaches vary hugely. EU

⁷¹ Delfas, N. (2019) 'The future of financial services regulation in the UK', FCA, 29 October, Available at: <https://www.fca.org.uk/news/speeches/future-financial-services-regulation-uk>.

⁷² David, D. (2021) 'Brexit: London loses out as Europe's top share trading hub', BBC News, 11 February. Available at: <https://www.bbc.com/news/business-56017419>.

⁷³ Reuters (2020) 'New York surges ahead of London as financial centre, survey finds', The Guardian 27 January, Available at: www.theguardian.com/business/2020/jan/27/new-york-london-financial-centre-brexit.

⁷⁴ Pugsley, J. (2021) 'UK faces tough battle for EU equivalence on financial services', The Banker, 8 January, Available at: www.thebanker.com.ezp-prod1.hul.harvard.edu/World/Western-Europe/UK/UK-faces-tough-battle-for-EU-equivalence-on-financial-services.

requirements that restrict flows of data out of the EEA without certain protections have been highly controversial with players such as the US. The UK and EU agreed a temporary data adequacy arrangement post-Brexit,⁷⁵ which is expected to be extended, subject to regular review.⁷⁶ However, the 2020 ECJ “Privacy Shield” decision raises a high bar for international data transfers under the GDPR.⁷⁷ One view we heard was that the UK could bridge between the EU and US by brokering achievable arrangements that allow international data transfers outside the EU.

Oliver Patel, UCL *“One area where the UK can be influential is around data adequacy rules, if it finds a way to be a bridge between the US and the EU, that could be a huge opportunity for a crucial sector where the UK is world leading.”*

Decisions around how to approach global tech giants such as Facebook and Google from an anti-trust and taxation perspective have also introduced rifts across the Atlantic.⁷⁸ The OECD resolved to reach a consensus to the tax challenges arising from the digitalisation of the economy by mid-2021.⁷⁹ The UK could be an effective bridge to common ground in this process. Other important areas for leadership include frameworks for regulating digital conduct, and reducing trade frictions in the digital economy.

Senior Cabinet Office Official *“Things are more up for grabs in data and tech, where the transatlantic and advanced economy regimes are evolving and not compatible.”*

Tharman Shanmugaratnam, Senior Minister of Singapore *“One of the opportunities for bilateral and plurilateral deals now comprises freeing up the digital economy and digital connectivity.”*

Senior Downing Street Official *“Global technology players are now so powerful. I mean if they were countries they would be in the G20. It is impossible for a country to regulate them by itself, and everybody is fighting hard to work out how to tax these businesses.”*

Climate and Environment

The UK government has already committed to finding a green route out of the pandemic. The UK government plan for a ‘green recovery’ was initially launched in two speeches during June and July 2020, earmarking around £3bn for building energy efficiency upgrades.⁸⁰ Since then there have been several additional announcements of additional green investment including Boris Johnson’s “10-

⁷⁵ Skelton, S. K. (2021) ‘Brexit deal grants UK temporary data adequacy’, ComputerWeekly.com, 8 January Available at: www.computerweekly.com/news/252494523/Brexit-deal-grants-UK-temporary-data-adequacy

⁷⁶ Shepard, D. (2021) EU to allow UK data flow in boost for business and law enforcement, CityAM. Available at: www.cityam.com/eu-to-allow-uk-data-flow-in-boost-for-business-and-law-enforcement/.

⁷⁷ Manancourt, V. (2020) ‘The demise of Privacy Shield may be the end of US-Europe data transfers’, POLITICO, 3 August, Available at: www.politico.eu/article/privacy-shield-is-dead-long-live-data-localization/

⁷⁸ Scott, M. and Cerulus, L. (2020) ‘EU-US ‘tech alliance’ faces major obstacles on tax, digital rules’, POLITICO, 2 December, Available at: www.politico.eu/article/eu-to-us-president-elect-joe-biden-lets-be-tech-allies/

⁷⁹ OECD (2020) ‘International community renews commitment to address tax challenges from digitalisation of the economy’, OECD, 12 October, Available at: <http://www.oecd.org/tax/beps/international-community-renews-commitment-to-address-tax-challenges-from-digitalisation-of-the-economy.htm>.

⁸⁰ HM Treasury (2020) ‘Plan for Jobs’, Available at: <https://www.gov.uk/government/topical-events/plan-for-jobs>

point-plan” for tackling climate change.⁸¹ Although these announcements have come under some criticism for being too modest in terms of new funding,⁸² the government has indicated “this is only the start”.⁸³ Funding from the private sector in the form of green finance has also been a focus.⁸⁴ Through embedding sustainability at the heart of a modern economy, the UK could set an example for other nations to follow in tackling the climate emergency.

Tony Danker, CBI *“Britain has the potential to be a significant leader in terms of net zero carbon emissions.”*

Tom Riordan, Chief Executive, Leeds City Council *“Leeds has a relationship with Huangzhou. The Chinese Olympics team was hosted in Leeds, but the Chinese interest goes beyond that and it is about learning from Yorkshire’s approach to problem solving and ingenuity. They want to know how we have decarbonised and how to retrofit decarbonisation.”*

Stephanie Wray, Biocensus *“We can become the leader through our existing strengths in science and technology, not just in reducing CO2 emissions but also protecting and promoting biodiversity.”*

Camilla Cavendish, Senior Fellow Harvard University *“Climate is an area where the government has a 10 point plan which is too broad and not focused enough. But in fact we have some real strengths, for example in offshore wind.”*

Finding a solution to the common environmental problem is a global priority that the UK, as a first mover in green energy and renewables and host of the UN Conference of the Parties to the Convention on Climate Change (COP 26), is well placed to lead. Priorities include the new long-term goals countries will commit to in order to address the climate emergency, finishing the work at COP25 on setting out rules for a carbon market between countries, and implementing the 2015 Paris agreement.⁸⁵

Senior Downing Street Official *“The biggest question in the 21st century is how to go green in a way that doesn’t clobber the consumers.”*

Senior Cabinet Office Official *“Talking about ‘nature’ used to be an excuse for avoiding discussion of emissions, but now there is understanding of how this impacts issues like health resilience, security, and migration.”*

Jacob Hayler, Environmental Services Association *“COP 26 is a great opportunity for the UK to show leadership on environmental issues. We will need to persuade others to follow our lead, as we won’t make much of an impact on our own.”*

⁸¹ Multiple Authors (2020) ‘Coronavirus: Tracking how the world’s ‘green recovery’ plans aim to cut emissions’, Carbon Brief, 16 June, Available at: www.carbonbrief.org/coronavirus-tracking-how-the-worlds-green-recovery-plans-aim-to-cut-emissions

⁸² Gabbatiss, J. and McSweeney, R. (2020) ‘Media reaction: Boris Johnson’s ‘10-point’ net-zero plan for climate change’, Carbon Brief, 18 November, Available at: <https://www.carbonbrief.org/media-reaction-boris-johnsons-10-point-net-zero-plan-for-climate-change>

⁸³ HM Government (2020) ‘The Ten Point Plan for a Green Industrial Revolution’, 18 November, Available at: <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution>

⁸⁴ City of London Corporation (2020) ‘Green Horizon Summit - The Pivotal Role of Finance’, 11 November, Available at: <https://www.theglobalcity.uk/green-horizon-summit-on-demand>

⁸⁵ The University of Edinburgh (2020) ‘What is COP 26?’, The University of Edinburgh, 11 November, Available at: <https://www.ed.ac.uk/sustainability/cop26/what-is-cop26>

Pandemic Response

UK science has already helped to tackle the pandemic with the development of the Oxford/AstraZeneca vaccine, made available at cost to low-income countries.⁸⁶ The UK increased its funding commitment in 2020 to become one of the largest state donors to the WHO, as well as £500m in funding for the COVAX advanced market commitment to allow equitable access to a Covid-19 vaccine.⁸⁷ However, UK purchases of vaccines well in excess of population need has led to accusations of hoarding, and calls to redistribute excess supply.⁸⁸ Global Britain will also need to grapple with the economic fallout of the pandemic, and find a response to concerns around onshoring global supply chains.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"The UK will have a lot of extra vaccines - and it could take a stronger role in leading the COVAX. That's worth a lot."*

Camilla Cavendish, Senior Fellow Harvard University *"Donating vaccines to developing countries and doing a huge push for that will be very, very important."*

Laura Cohen, British Ceramics Federation *"The pandemic has shown the importance of having strong local manufacturing and supply chains, many governments are making efforts to do this, but the UK doesn't necessarily seem to be doing so to the same extent."*

Where should the UK diverge or remain within the EU regulatory orbit?

Many businesses will need to continue to align with EU rules in order to trade with the bloc - this may cause some pressure from many sections of society to remain closely aligned with past and future EU legislation. Early signals from the Purchasing Managers' Index suggest that Brexit has already caused significant disruption to supply chains.⁸⁹ This experience may create further caution in the future around additional trade frictions.

Dominic Goudie, Food and Drink Federation *"Businesses see opportunities to do things differently; but the aim right now needs to be continuity. The UK needs continued access to the expertise at EFSA (the food safety agency) and the UK doesn't have capacity to do it itself."*

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"There's a period of time where there may be some issues, such*

⁸⁶ Beaumont, P. (2020) 'Oxford AstraZeneca vaccine to be sold to developing countries at cost price', The Guardian, 23 November, Available at: www.theguardian.com/global-development/2020/nov/23/oxford-astrazeneca-results-covid-vaccine-developing-countries

⁸⁷ Lock, H. (2020) 'The UK Is Set to Become the Largest State Donor to the WHO to Help Fight COVID-19', Global Citizen, 30 September, Available at: www.globalcitizen.org/en/content/uk-largest-donor-who-covid-19-covax-facility/

⁸⁸ Multiple Authors (2021) 'UK must cooperate on global vaccine supply | Letters', The Guardian, 25 January, Available at: www.theguardian.com/society/2021/jan/25/uk-must-cooperate-on-global-vaccine-supply

⁸⁹ Bruce, A. (2021) 'First flashes of Brexit trade trouble appear in UK data', Reuters, 28 January, Available at: <https://www.reuters.com/article/us-britain-eu-economy-graphic-idUSKBN29X0PJ>

as data privacy, you can't do without the EU. I'd advocate others to lead on services liberalisation so it doesn't look like a direct UK confrontation with the EU."

The Withdrawal Agreement between the EU and UK has already given rise to numerous issues. Additional paperwork required for customs declarations has led to difficulties sending and receiving goods abroad.⁹⁰ The Northern Ireland protocol in the EU Withdrawal Agreement, though a necessary compromise to protect the fragile peace in the area, adds additional complexity for the UK in future regulatory decisions.⁹¹ The protocol requires Northern Ireland to align on some EU Single Market rules on trade in goods such as hygiene, thus avoiding a hard border with the Republic of Ireland. However, custom checks instead apply for goods moving from Great Britain to Northern Ireland.⁹² Given this, any UK attempts to diverge in regulation further from the EU could result in new disruptions between the two islands as new customs procedures may need to be introduced.⁹³

Laura Cohen, British Ceramics Confederation *"One of our biggest brick makers wants to send some bricks to Northern Ireland. They can reclaim the tariff, but there's massive paperwork involved with this and with customs in general."*

Although tariffs and quotas have been removed for goods broadly, the framework in place for services market access is still being negotiated and is subject to a large number of exceptions that vary by sector and EU member state.⁹⁴

Camilla Cavendish, Senior Fellow at Harvard University *"Most of the debate has been about goods. The political class lacks understanding about the reality of a services economy and what it needs to flourish. This is really surprising and quite alarming. The government has been very slow on getting market access, and we're losing out on tech IPOs to Asia and the US."*

The hard-won sovereignty that comes with EU exit means that most are looking for areas where divergence can bring prosperity. Interviewees were positive that such areas could be found, especially in areas where the UK had previously been hamstrung, such as agriculture or new industries where comprehensive regulation did not yet exist such as fintech. Others also noted that in many cases, the UK may still find itself naturally aligning with Europe.

Senior UK Treasury Official *"We made a case in the early days of Trump for more trade in services with China, but the French accused us of trying to sell services in a post-Brexit world."*

⁹⁰ Castle, S. (2021) 'Truckers Shun U.K. Ports to Avoid Brexit Red Tape', The New York Times, 27 January, Available at: <https://www.nytimes.com/2021/01/27/world/europe/truckers-uk-ports-brexit.html>.

⁹¹ Cabinet Office (2021) The Northern Ireland Protocol, GOV.UK, Available at: <https://www.gov.uk/government/publications/the-northern-ireland-protocol>.

⁹² Institute for Government (2019) 'Brexit deal: the Northern Ireland protocol', The Institute for Government, 5 February, Available at: <https://www.instituteforgovernment.org.uk/explainers/brexit-deal-northern-ireland-protocol>.

⁹³ The Guardian UK (2021) 'The Guardian view on Northern Ireland and Brexit: stick with the protocol | Editorial', The Guardian, 4 February, Available at: <http://www.theguardian.com/commentisfree/2021/feb/04/the-guardian-view-on-northern-ireland-and-brexit-stick-with-the-protocol>

⁹⁴ Institute for Government (2020) 'UK-EU future relationship: the deal - Services', The Institute for Government, Available at: www.instituteforgovernment.org.uk/publication/future-relationship-trade-deal/services

Tony Danker, CBI *"Britain needs a leapfrog strategy - we need to use our regulatory freedoms to get to the world of 2030 faster, as opposed to simply thinking how to show Brussels this has all been worth it."*

Maria Demertzis, Bruegel Think Tank *"When the political dust settles, then we will realise that the UK, regulation wise, is a lot closer to the EU than it thinks."*

Conclusion: This is the Global Britain choice

- The UK is too small to impose its regulatory approach on the world, and too large to simply be a rule-taker; brokerage and innovation offer an alternative
- The UK's expertise, experience and international standing in financial services, climate change, technology and global taxation are areas for brokerage
- The G7 presidency demands UK leadership on Covid-19-recovery, technology and multilateral tax reform - COP will be a second big test of Global Britain
- As one of the largest donors to COVAX, a leader in the vaccination race and with its world-leading life sciences sector, the UK can drive post-pandemic resilience
- Regulatory divergence from the EU is challenging, but leading or brokering regulatory reform requires risk-taking. In financial services, there are opportunities; in data privacy, the risk of antagonizing the EU may be too great

3. Migration

The UK government has the opportunity to develop a new migration policy. Control over and changes to the migration system were a central promise of the Brexit campaign and they were only partly delivered by ending free movement with the EU. Twenty years of increasing net migration of both non-EU and EU migrants, means that this issue remains politically delicate.⁹⁵ The government must define a new direction and narrative around migration to continue making Britain's attractiveness to migrants a strength for Global Britain, while responding to public demands for a fair and functioning system.

What kinds of migration does the UK need?

Migration plays an important role in the UK

The starting position is already one of significant migration: one in seven of the UK's population was born outside of the UK;⁹⁶ in 2019, there were around 3.16 million EU born migrants in the UK and about 5.87 million non-EU migrants.⁹⁷ But these figures are still around the average of wealthy countries. Britain's 14% foreign born population is low compared to Australia and Switzerland's 30% and Canada's 21%. And in line with Germany (16%), France and Spain (13%).⁹⁸

Britain's new migration policy should start from a clear understanding of how much and what kind of migration the UK, with an ageing population and a skills shortage, needs to maximise its growth potential.

Senior UK Treasury Official *"The Treasury is very involved in crafting migration policy, thinking about the skills the economy needs and where there are clear labour force shortages, especially given the new system."*

Jonathan Portes, King's College London *"The government needs to have a system that is simple, fair and not absurdly expensive."*

Josh Cameron, FTI Consulting *"The UK can use this opportunity to - even though Brexit was in some ways an anti-immigration campaign - make immigration of skills and talent easier, rather than clamping down on global migration because of inability to do anything about EU migration."*

Maria Demertzis, Bruegel Think Tank *"The UK was always effective at getting immigration at all ends of the skills distribution to meet its shortages and from all corners of the world. The EU was a big supplier of labour, a flow that will undoubtedly be disturbed in the short run."*

⁹⁵ Sumption, M. Varga-Silva, C. (2020) 'Net Migration the UK', The Migration Observatory, 29 July, Available at: <https://migrationobservatory.ox.ac.uk/resources/briefings/long-term-international-migration-flows-to-and-from-the-uk/>

⁹⁶ BBC Ideas (2020) 'What would the UK be like without immigration?' 14 January, Available at: <https://www.bbc.co.uk/ideas/videos/what-would-the-uk-be-like-without-immigration/p080b8wx>

⁹⁷ Sumption, M. Varga-Silva, C. (2020) 'EU Migration to and from the UK', The Migration Observatory, 2 October, Available at: <https://migrationobservatory.ox.ac.uk/resources/briefings/eu-migration-to-and-from-the-uk/>

⁹⁸ United Nations Department of Social and Economic Affairs (2019) 'Migrant Stock 2019 estimates', Available at: UN_MigrantStockTotal_2019

However, it remains highly politically sensitive

While the government has clearly signalled its increased openness to skilled migration, our interviewees have identified that an open migration policy will not be simply in the UK's political climate, and that the treatment of unskilled workers will also test the new Global Britain migration policy.

Camilla Cavendish, Senior Fellow Harvard University *"Global Britain should be using the best and brightest from all over the world, and making them a really big offer to come here and contribute. However, I think there will still be a residual Brexit effect of people wanting to see evidence of control through lower numbers, especially if welfare queues lengthen post-Covid."*

Peter Walsh, Oxford Migration Observatory *"The single most important test for the new government's migration policy will be whether, within 2-3 years, there will be clear shortages of low skilled and seasonal workers."*

Professor Robert Lawrence, Harvard Kennedy School *"We need to recognise that skilled people are complements, not substitutes, for unskilled people. If you want to make more jobs for unskilled people - then you need a lot of jobs for skilled people."*

Some that we interviewed were of the view that ending free movement provides an opportunity to shift migration away from unskilled workers.

Sajid Javid, Former Chancellor of the Exchequer *"Lower unskilled migration will be good because it will force businesses to increase productivity of a more limited, more expensive workforce."*

John Elliott, EBAC *"Immigration should be zero, except between countries with similar levels of income. I'm not against immigration, but fundamentally the people coming here shouldn't need to come here and we shouldn't need them either- we need to cure the symptoms in the origin countries that's what we need to do."*

Although some interviewees were of the view that regaining 'control' over migration would improve public tolerance of significant migration, there was also an awareness that government has to tread carefully and balance the electorate's demand for a reduction in migration against its Global Britain ambitions of wanting to attract the brightest and best of global talent.

Jo Johnson, Former Cabinet Minister *"Even if we've still got net migration of 300,000 a year plus, that doesn't matter anymore because we're in control."*

Camilla Cavendish, Senior Fellow Harvard University *"I think there will be some flashpoints on migration despite the fact that everybody in Britain can now see that the NHS relies heavily on EU labour."*

Senior Bank of England Official *"There are many forces of alienation in advanced economies. The centre hasn't found a way to "redress the balance" and find a way forward on migration."*

Peter Holmes, University of Sussex *"The migration we need is the migration that, from a political perspective, we do not want."*

Indeed, demands to reduce migration conflict with demands from businesses who have come to rely on EU migrants to plug skills shortages and to replace highly motivated and reliable migrants.⁹⁹ Researchers at the Oxford Migration Observatory have argued that the consequences of a failure to find a system that replicates the advantages of Freedom of Movement within the EU include a potential fiscal cost of 1-3 billion over the first five years of the policy.¹⁰⁰

Peter Walsh, Oxford Migration Observatory *"There is a vast literature arguing for the positive and negative effects of net migration, but the most measurable and immediate one is the net effect on the government's profit and loss, and in Britain this has been positive in the last 30 years."*

Laura Cohen British Ceramics Federation *"We're going to be recruiting a lot fewer people from outside of the UK. I always prided myself that we interviewed the best people for the job and I feel disappointed that a lot of our members will have skills gaps."*

Another potential tension for the government will come from abroad, where the desire to sign ambitious trade agreements will come with other countries' demands for a more liberalised migration regime, for example India,¹⁰¹ leading to higher overall net migration numbers.

William Bain, British Retail Consortium *"The Government's desire to have further trade agreements to demonstrate results from its new independent trade policy is going to have an impact on migration... there will be somewhat less reductions in migration than what some of the Brexiteers promised."*

Josh Cameron, FTI Consulting *"To complement a Global Britain trade strategy, a points based system for migration could work, but it must abandon crude targets that would make its execution very complicated."*

What should the UK's approach to migration be?

Big changes are possible and may be needed

Given the need for migration, the many political sensitivities around it, and the government's opportunity to craft a brand new approach, now is the time for ambition and innovation.

Tharman Shanmugaratnam, Senior Minister of Singapore *"Good immigration policy must be tightly aligned to maximising and protecting jobs at home. In Singapore this means being very liberal at the top and bottom of incomes and a little tighter in the middle. However, that might not be the right formula for the UK."*

⁹⁹ Migration Advisory Committee (2018) 'EEA-workers in the UK labour market: Interim Update' Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694494/eea-workers-uk-labour-market-interim-update.pdf

¹⁰⁰ Walsh, P. McNeil, R. (2020) 'Calculating the Bill: the projected impacts of the points-based immigration system after Brexit' The Migration Observatory, 29 June, Available at: <https://migrationobservatory.ox.ac.uk/resources/commentaries/calculating-the-bill-the-projected-impacts-of-the-points-based-immigration-system-after-brexite/>

¹⁰¹ McCulloch, A. (2021) 'India deal could see more migrant workers enter UK' Personnel Today, 16 February Available at: <https://www.personneltoday.com/hr/india-enhanced-trade-partnership/>

Jo Johnson, Former Cabinet Minister *"We should be busting a gut to encourage brilliant people to study here and then stay on and deploy their talents in the UK economy post graduation. If you're endlessly tightening up rules and adopting a defensive posture to manage down numbers to meet poorly-framed targets you're going to divert that crucial flow of high innovation talent we're going to need to bounce back post Covid."*

Jonathan Portes, King's College London *"I think ideally you would want a migration model that is liberal, that doesn't require a lot of central planning or government regulation because we're not very good at it and the Home Office is terrible at it. It should be relatively non-restrictive- it doesn't have any quotas or too many special types of visas."*

Some feel reforms so far have not gone far enough to meet UK need

The government has promised an Australian Style points-based immigration system¹⁰², to deliver the electorate's demand for control. But so far it has only implemented a hybrid version. The new system treats EU migrants the same as non-EU migrants. It requires that they meet a mandatory set of criteria, and offers very limited routes for unskilled workers.¹⁰³

Senior Downing Street Official *"Our points based immigration system is deliberately designed to make it easier for high-skilled immigrants to come in, and more difficult for low-skilled."*

John Mills, John Mills Limited *"We will be open to talent, but reluctant to see the doors wide open for everybody to come in. You've got to make some choices somewhere and a points system is probably the best way of doing it."*

But some consider this system to be too similar to the status quo, and that it presents a danger of making it harder for lower skilled EU migrants whilst not making that much easier for high skilled non-EU migrants.

For example, about only 63% of current EU migrants would not be eligible for a skilled worker visa under the new system,¹⁰⁴ risking problems in industries dependent on EU migration.

Peter Walsh, Oxford Migration Observatory *"The government has largely left in place the old migration system, which suggests they are more prone to stay the course than change towards a much more ambitious Canadian or Australian system."*

Jonathan Portes, King's College London *"The Health and Social Care Sector is actually one sector that I think migration shouldn't be the answer- maybe this will mean the Government will finally fund and reform it properly. They've stated the*

¹⁰² Conservative Manifesto (2019) Available at: <https://www.conservatives.com/our-plan>

¹⁰³ The new main route for skilled migration requires migrants to meet a mandatory set of criteria which includes: having a job offer, English proficiency and meeting a particular salary threshold. These give the prospective migrant fifty points. They can then obtain the remaining twenty points they require to reach the cut off by trading criteria. More information is available at: <https://www.gov.uk/government/publications/uk-points-based-immigration-system-further-details-statement/uk-points-based-immigration-system-further-details-statement>

¹⁰⁴ Migration Advisory Committee (2020) 'Annual Report 2020' Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/944234/Annual_Report_2020_BB.pdf

most sectors will have to adjust and it's unclear where this is going to end up because it's so clouded by Covid."

Laura Cohen, British Ceramics Federation *"Some key skills are not appearing on the Migration Advisory Shortage Occupations list."*

Migration policy must be fair and effective for all

The new migration policy must also consider the domestic impacts of migration and aim to use policy, alongside other levers, to create more economic opportunity for citizens which will, in turn, reinforce the positive perception of controlled and selective migration that benefits the population. Adopting such an approach enables the labour market effects of immigration to be considered as part of policy development.¹⁰⁵

Senior Downing Street Official *"Previously we were working with the basic assumption that the free movement of labour and of capital would be an unadulterated good but they are not, at least in domestic politics."*

Andy Burwell, CBI *"There are so many innovative government/business partnerships around reskilling and upskilling. Look at what France, Germany or the Netherlands are doing. This will be paramount to do in the UK, especially if lower unskilled migration will push upward pressure on wages."*

To ensure the positive impact of migration on the domestic economy, our interviewees told us that the new migration policy must be consistent and work hand in hand with education, skills and industrial policy. In areas such as labour standards our interviewees told us that migration policy aligned with trade and regulation policy.

Senior Downing Street Official *"We've been trying to pre-empt the impact of migration on UK nationals by focusing on the domestic skills agenda and reshaping university funding to focus on higher value courses."*

Kevin Ellis, Chairman of PWC UK *"The UK has a services based economy and hence many employers are in that sector. Aligning the roles of employers and professional qualifications with the right regulatory, legal and tax frameworks will help open up opportunity to more people and put the UK on an even stronger footing for the future."*

Professor Robert Lawrence, Harvard Kennedy School *"It's absolutely crucial to exploit great educational institutions in order to attract foreign talent, and keep it in Britain."*

Finally, emerging evidence suggests that after Brexit, with the end of Free Movement, migration has, for now, become less important.¹⁰⁶ Most voters want the government to have and show control over migration numbers, but are not in principle opposed to continued migration. This suggests that the government might have some flexibility on its promise to push overall net migration to below 100k, as long as the system appears fair and under control.

¹⁰⁵ Ruhs, M. Vargas-Silva, C. (2020) 'The Labour Market Effects of Immigration' The Migration Observatory, 18 February, Available at: <https://migrationobservatory.ox.ac.uk/resources/briefings/the-labour-market-effects-of-immigration/>

¹⁰⁶ Ballinger, S. Katwala, S. Rutter, J. Duffy, B. Hewlett, K. (2020) 'The reset moment Immigration in the new parliament' British Future, Policy Institute King's College London, 16 March, Available at: <https://www.britishfuture.org/reset-moment/>

Jo Johnson, Former Cabinet Minister *"The government has walked away from its previous target to reduce migration to the tens of thousands. That's history. The government wants a points based system and everyone likes the sound of that."*

Brussels-Based Foreign Office Official *"The government has made its position clear from the outset. For them it was never really a choice and they now consider it a done deal - lower unskilled, higher skilled. And equal treatment between EU and non-EU, regardless of how much it angered our European neighbours."*

What is the Global Britain narrative on migration?

A new narrative is needed

Almost all of our interviewees agreed that regardless of what direction the government decides to go on migration, it must change the narrative on this politically sensitive topic. Our interviewees told us that the new narrative must project that the UK is able to manage its migration system.

Senior Bank of England Official *"'Free movement' as a slogan was disastrous as people felt like there is no control. By changing the rhetoric to 'grip and control', similar to Australia, the UK can set quite an open migration policy whilst letting people feel it is under control."*

Our interviewees told us that a new, more positive and focused narrative, that emphasises the benefits to British institutions and for British jobs will help to ensure that there is continued support for substantial migration in those areas where the UK has skills and labour shortages.

Professor Peter Hall, Harvard University *"It's not clear to me how the UK's service sector, hospitality, agriculture and the NHS can run successfully without continued significant migration. The government has a political responsibility to start accepting that and communicating this message."*

Tharman Shanmugaratnam, Senior Minister of Singapore *"The message must be that we need relatively free movement because that's how we create jobs at home, not because it is good for growth or corporations. You must link it to British jobs."*

Alongside domestic politics, the new narrative will be crucial in preserving the international perception of the UK as an open, welcoming and tolerant society, which will directly impact our ability to continue attracting the best and brightest from around the world.

The strategy will need to respond to criticisms¹⁰⁷ of the racialised impacts of UK migration policy, particularly the 'hostile environment' - a 2020 assessment of the Windrush Scandal by the Equality and Human Rights Commission found that the Home Office failed in its Public Sector Equality duty to show due regard to

¹⁰⁷ The impact of UK immigration policy and UK treatment of asylum seekers on vulnerable groups has also been criticised internationally by the UNHCR, including recent decisions to house asylum seekers in military barracks during the Covid-19 pandemic. See <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=23073&LangID=E> and <https://www.unhcr.org/uk/news/latest/2021/2/602697684/covid-outbreaks-at-asylum-seekers-barracks-a-major-concern-to-unhcr-uk.html>

advancing equality of opportunity in relation to colour.¹⁰⁸ This has implications for international perceptions of the UK too.

Jonathan Portes, King's College London *"The Government should make it easier for the people we want. A big barrier is the general image and conduct of the Home Office, which should change tone to being more open and collaborative with migrants."*

Jo Johnson, Former Cabinet Minister *"Openness to talent through this student route is really important. We have finally got domestic policy to quite a good place on that, but the consensus is not very strong. There are real weak links in the political settlement particularly with respect to international students from China, which is the single biggest sender of students to the UK."*

Other countries show building a new narrative is possible but not easy
As a start, interviewees suggested that the UK can learn from the countries that have made migration central to their growth strategy and have built very different narratives to the UK.

Wayne Swan, Former Australian Finance Minister *"We've generally managed to avoid the full scale revolt against migration that has been seen elsewhere. The implication of the points system is that we have chosen the people who come in."*

But interviewees reminded us that the process would not be simple, the UK cannot simply adopt other countries' narratives that are charged with decades of internal debate and particular national histories.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"Effective inward immigration policy has been demand-driven in the UK. It's a totally different cultural history in Canada, where immigration is really welcomed."*

Jonathan Portes, King's College London *"We have our own hangups - and we're currently going through this hard spasm about Empire and our history and what that means for race relations in the UK today. Our narrative isn't going to be an Australian or Canadian one- but it could be better."*

Professor Peter Hall, Harvard University *"Saying that Britain is going to be like Canada or Australia may not solve all the issues associated with migration. Canada, for instance, has been working for decades to build the narrative of multiculturalism and policies to make high levels of migration socially and politically sustainable. Britain must find its own way forward on these matters."*

Conclusion: This is the Global Britain choice

- Ending free movement with the EU doesn't mean closing borders; indeed, the government accepts the need for high-skilled labour

¹⁰⁸ Equality and Human Rights Commission (2020) 'Public Sector Equality Duty assessment of hostile environment policies' ,25 November, Available at: <https://www.equalityhumanrights.com/sites/default/files/public-sector-equality-duty-assessment-of-hostile-environment-policies.pdf>

- Migration policy also requires choices on how Global Britain:
 - Responds to shortages of low-skilled and seasonal workers
 - Supports higher education
 - Faces up to Britain's ageing population
- To sustain support for migration the government must persuade the public that there is effective and fair control over immigration
- The narrative on managing migration will shape how 'Global Britain' is seen by potential/remaining migrants and domestic voters

4. The Domestic “Levelling Up” Agenda

Following Britain’s exit from the EU, the UK government has articulated a vision for Britain which prioritises growth across each region, what Prime Minister Boris Johnson refers to as “levelling up”.¹⁰⁹ The government argues that this “levelling up” agenda - to deliver improved domestic outcomes through regionally distributed sustainable growth - is a vital part of the Global Britain strategy.

Why does Global Britain need a strategy for “levelling up”?

A measured response to the impacts of globalisation is needed

Like many countries Britain, faces a backlash to globalization resulting from fears of economic exclusion¹¹⁰ and concerns that international integration erodes national sovereignty. As International Trade Secretary Liz Truss said in a recent speech: “*Many are sceptical about globalisation and the benefits of trade*”.¹¹¹ Our interviewees were clear that Global Britain must be responsive to economic and regional inequality, and the impacts that being global can have domestically. Delivering fairer domestic outcomes, both regionally and between cities and towns, is vital for Global Britain.

Stephen Adams, Global Counsel “*We need to be more attentive to distributional impacts, and less dependent on the argument that in the long run efficiency and productivity will drive growth and ensure everybody wins. Politics doesn’t play out in the long term; politics plays out in the short term and we must be attentive to those who feel like they’re losing, or have lost already.*”

Shanker Singham, CEO Comptere “*What we do domestically will condition our ability to deliver the expansive trade policy outlined by Boris Johnson.*”

Maria Demertzis, Bruegel Think Tank “*The issue of inequality is crucial. Growth needs to be sustainable, and if it’s not equitable - it’s not sustainable.*”

Our interviewees noted that Global Britain had to deliver for those who have been politically and economically excluded: regional inequality in the UK has become the worst of any comparable developed country.¹¹²

While this reflects historic patterns and the impact of technological change, there is also some evidence suggesting a negative impact on workers in areas where

¹⁰⁹ Johnson, B. (2019) ‘Boris Johnson’s first speech as Prime Minister: 24 July 2019’, GOV UK, 24 July. Available at: <https://www.gov.uk/government/speeches/boris-johnsons-first-speech-as-prime-minister-24-july-2019>

¹¹⁰ Sampson, T. (2017) ‘Brexit: The Economics of International Disintegration’, Journal of Economic Perspectives, Available at: <https://www.aeaweb.org/articles?id=10.1257/jep.31.4.163>

¹¹¹ Truss, E. (2021) ‘Opening statement on Global Britain debate’, GOV.UK, 11 January, Available at: <https://www.gov.uk/government/speeches/opening-statement-on-global-britain-debate>.

¹¹² Bounds, A. (2019) ‘UK’s regional inequality one of worst in developed world’, The Financial Times, 26 November, Available at: <https://www.ft.com/content/7204c062-1047-11ea-a225-db2f231cfeae>

industries most exposed to import competition are concentrated.¹¹³ Our interviewees were clear that Global Britain must show it is responding, therefore, to the geography of discontent, although there was some scepticism that this is more than rhetoric.

Senior Downing Street Official *"Global Britain needs to mean investment that spreads all around the UK. It will work if citizens see investment in their area or a new factory being built which actually means they might have a shot at a decent job, not just some zero hours contract."*

Sajid Javid, Former Chancellor of the Exchequer *"When trying to attract investment and trade from across the world, benefits should be shared throughout the country, including the areas that feel economically left behind."*

Anand Menon, Director, UK in a Changing Europe *"Levelling up doesn't have to actually be successful - it has to show willingness on the part of the government to listen to communities that have spent three, nearly four decades being ignored by the government. That in itself is powerful."*

Should Britain level up through freer trade or through more controls on trade?

The UK must think carefully about its future economic model

A number of those who we interviewed stressed the importance of the government maintaining its commitment to a post-Brexit Britain that is committed to free trade and liberalisation.¹¹⁴ Others pointed out that Britain has not yet decided what type of economic model it wants and how that should fit with other societal objectives.

Josh Cameron, FTI Consulting *"Global Britain should mean opposition to protectionism and mercantilism. At a very high level the Government wants to be a Global Free Trade champion and that is good for the world and the people of the UK. It allows for more efficient trade, cheaper prices, better access by producers, increases prosperity and greater efficiency."*

Shanker Singham, CEO Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary *"The UK should also want pro-competitive regulatory systems where trade and competition are maximised consistent with consistent, publicly stated and legitimate regulatory goals."*

Paul Tucker, Senior Fellow Harvard University *"One has to make a big distinction between deregulation that would affect the resilience of the system, which I think would be crazy, and deregulation which might make the system more dynamic but increase risks to investors. I see those as essentially political issues [...] but there isn't yet a clear sense of what kind of economy we want and how we want that to fit with society."*

¹¹³ Lyon, J. D. Pessoa, J. P. (2020) 'Worker and Firm Responses to Trade Shocks: The UK-China Case', SocArXiv Papers, Available at: <https://osf.io/preprints/socarxiv/3ws94/>

¹¹⁴ Johnson, B. (2020) 'PM speech in Greenwich', 3 February, Available at: <https://www.gov.uk/government/speeches/pm-speech-in-greenwich-3-february-2020>

International Trade Secretary Liz Truss has vowed that 'Britain shaped' trade deals must support the "levelling up" agenda.¹¹⁵ However, Brexit risks making this more difficult with recent estimates suggesting high economic costs for some groups including less-educated male workers in blue collar jobs.¹¹⁶ With significant evidence of sectoral and regional exposure post-Brexit some have suggested that freer trade must be supported by intervention to drive a more inclusive and fair form of globalisation.

Senior Cabinet Office Official *"There's still a lot of thinking to do regarding how trade policy interacts with regional economic strategy- some parts of the country may have been strongly affected by global trends."*

Paul Tucker, Senior Fellow Harvard University *"I think Global Britain will be an outcome of how we attend to all the problems, some of which are very deep in society, and the real upside from Brexit is that it has made possible to talk about things that have been buried for far too long."*

Our interviewees were split on the best way forward

Some interviewees identified circumstances in which openness should be limited, for example protecting small businesses, and others called for much more radical protections.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"We should build thresholds of openness up to a certain threshold in size for SMEs, to achieve distributed globalisation. Through this we can also keep sovereignty in terms of rules, hygiene and financial stability."*

John Mills, John Mills Limited *"I think it's really important to rebalance the economy. Outside the prosperous South East I think the main way to achieve that is by getting manufacturing back. The ideal would be to have a lower pound, and no restrictions, but failing that restrictions like import duties are essential to getting new production facilities to site in the UK."*

Our government interviewees were also keen to stress that while the "levelling up" agenda requires more thinking about the type and extent of government intervention, to avoid an lapse into damaging protectionism.

Senior Cabinet Office Official *"If we're trying to ensure economic resilience it's a slippery slope to protectionism. Another way to look at is if you want an open economy- the more open you are the more you need to manage the basic risks that come from that."*

Senior UK Treasury Official *"There's a protectionist side to the economic security and resilience debate, where "onshoring" links to levelling up."*

¹¹⁵ Dunton, J (2020) 'Truss Vows 'Britain shaped' trade deals must boost levelling-up agenda' Civil Service World, 30 October, Available at: <https://www.civilserviceworld.com/news/article/truss-vows-britain-shaped-trade-deals-must-boost-levelling-up-agenda>

¹¹⁶ Davenport, A. Zaranko, B. (2020) 'Levelling up: where and how?' Institute for Fiscal Studies Available at: <https://www.ifs.org.uk/uploads/CH7-IFS-Green-Budget-2020-Levelling-up.pdf>

What kind of Global Britain industrial policy is needed for “levelling up”?

During our interviews we heard an array of ideas about how Global Britain should boost growth so that all regions benefit from rising prosperity, and significant differences in opinion as to how to achieve that growth.

Overall architecture for boosting productivity

Where industrial policy is used, this should not be a blunt tool. A horizontal industrial policy offers higher rewards. Our interviewees told us that rather than picking single firms/businesses a successful industrial policy would require the Government to encourage the formation of successful industries and clusters and improve the conditions for business more generally.

Professor Robert Lawrence, Harvard Kennedy School *“Communities that succeed are the ones where firms get out of their silos, as well as the universities and research institutes, and they collaborate. That’s the modern nature of effective industrial policy - encouraging these interventions rather than ‘picking’ firms.”*

Tharman Shanmugaratnam, Senior Minister of Singapore *“The Swedens and Singapores of this world have sustained a very steady growth of incomes across the board and very low rates of unemployment. This isn’t just about traditional industrial policy, it is about being able to adjust and learn through coordination between the state, business, industrial association, tertiary educational institutions and other stakeholders including unions.”*

John Mills, John Mills Limited *“We need supply side reforms: education and training for industry, less short termism, planning in favour of industry. But I think that if these are not married up with the macroeconomic situation that they might not work.”*

Other countries can offer helpful inspiration to the UK. Our international interviewees pointed to a range of factors that are important in delivering broad based growth. Interviewees spoke to an agenda that moves beyond traditional industrial policy, and picking winners, to a multifaceted strategy that incorporates social spending, education and training, and public investment.

Professor Robert Lawrence, Harvard Kennedy School *“Different aspects of the Singapore model may suit the UK. One part of the model we’re picking on is a freer market - but this takes place in Singapore with very strong government oversight and programmes that provide social assistance.”*

Tharman Shanmugaratnam, Senior Minister of Singapore *“Global Britain must enable growth in incomes in the middle. This has to be about constant investment in human capital and inclusive growth. [...] You need to properly regenerate areas across the board to avoid a Brexit-type perception of who is gaining and who is losing.”*

Our interviewees told us that to level up Britain would first need to boost productivity. To achieve this Britain should focus on industries that are important for regional employment or industries where the UK is already strong or has the potential to be world-leading, with proposals including car manufacturing, pharma, aerospace, biotech and financial services.¹¹⁷ The UK's strength in research and innovation was cited as foundational for success in growth areas.

Josh Cameron, FTI Consulting *"The strengths of the UK lie in its business sectors, particularly in finance and complex manufacturing. The weaknesses are the political strength of some of its economically backward sectors e.g. agriculture and the romantic public attitude to some of these. Overcoming that political strength for the benefit of the wider UK will be a great challenge- there are always winners and losers with trade policy, inevitably you have to benefit the internationally competitive sectors at the expense of the less competitive."*

Kevin Ellis, Chairman of PWC UK *"We can be justly proud of our innovation, research and development- strengths that have put us at the forefront of Covid-19 vaccine delivery. That innovation will be key to addressing other important problems such as climate change."*

Financial services was also cited by some as a high-value-add industry that the UK should avoid risking, especially given the ongoing fight to retain London's financial clout.¹¹⁸ Some interviewees argued that more should be done to recognise its contribution to domestic wealth, and potential role in facilitating redistribution while acknowledging potential issues with the extent of the UK's reliance on the financial services industry.

Angus Canvin, UK Finance *"Two-thirds of financial services activity happens outside of London. So improving the terms of trade for financial services will benefit the whole country."*

Professor Robert Lawrence, Harvard Kennedy School *"Britain may be wishing to move away from excessive reliance on finance, but it is where they start as an obvious global leader."*

Some interviewees identified that we need to move on from a traditional, narrow, conception to competitiveness to encompass green and regional growth.

Tony Danker, CBI *"Competitiveness 1.0 concerns traditional economic fundamentals however competitiveness 2.0 is all about net zero emissions and a genuine regional competitiveness strategy."*

Some argued that greater prosperity would result from removing trade-distorting EU interventions in areas such as agriculture.¹¹⁹

¹¹⁷ Department for International Trade 'Industries', Updated 9 January 2020 Available at: <https://www.great.gov.uk/international/content/about-uk/industries/>

¹¹⁸ Davenport, A. Zaranko, B. (2020) 'Levelling up: where and how?' Institute for Fiscal Studies, 2 October, Available at: <https://www.ifs.org.uk/publications/15055> Inman, P. Boffey, D Makortoff, K. (2021) 'London fights for its financial crown but it will be a stretch', The Guardian, 13 February, Available at: <https://www.theguardian.com/business/2021/feb/13/london-fights-for-its-financial-crown-but-it-will-be-a-stretch>

¹¹⁹ Dowd, K. (2017) 'A Trade Policy for a Brexited Britain', Institute of Economic Affairs Discussion Paper, (85). Available at: <https://iea.org.uk/wp-content/uploads/2017/08/A-Trade-Policy-for-a-Brexited-Britain-D2.pdf>

Shanker Singham, CEO Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary *"The UK public needs to realise that choices have to be made. You can't have both the free ranging Global Britain of the Greenwich speech¹²⁰ and be "sovereign" on stuff like agriculture and ensure food standards aren't compromised."*

Professor Robert Lawrence, Harvard Kennedy School *"European standards may have been constraints that the UK might not have agreed with - one really big area is agricultural policies, the government could now think about redistribution/focus on poorer farmers as opposed to rich farmers."*

Support for specific companies or industries

Our interviewees pointed towards the hazards of picking firms or sectors as 'national champions' and supporting their development through state aid. The proposal to create new British technology champions by investing in the emerging tech sector and Boris Johnson's campaign promise to 'protect automakers' already suggests a step in this direction.^{121, 122}

Professor Robert Lawrence, Harvard Kennedy School *"Covid-19 and associated recessions are driving trends towards greater government intervention in industry. Phase one is bail outs to keep people's heads above water. Next is targeted subsidies. Yet everyone is picking the same winners - green tech and AI."*

Senior Downing Street Official *"Picking winners is dangerous language, but we need to build a vision of the future and to build alliances around future technologies and opportunities. Green is at the heart of that."*

We were told that targeting strategic sectors and firms entails risks, including provoking a 'subsidy war' between states and 'murky protectionism' hiding behind industrial policy.¹²³ There is a real danger of escalating protectionism from this approach given the recent EU decision to relax state aid rules in the wake of coronavirus,¹²⁴ China's move towards state-supported high-tech industry, and the US's existing regime for promoting biotechnology research through the NIH, among others.¹²⁵

Craig VanGrasstek, Harvard Kennedy School *"As a political scientist, I tend to get a little cynical about who does the targeting of potential growth industries, and how they make those choices."*

¹²⁰ Johnson, B. (2020) 'PM speech in Greenwich', 3 February, Available at: <https://www.gov.uk/government/speeches/pm-speech-in-greenwich-3-february-2020>

¹²¹ Jack, S. (2020) 'Brexit: The multi-billion pound state aid gamble', BBC News, 8 September. Available at: <https://www.bbc.com/news/business-54069959>

¹²² Davies, P. (2019) 'UK promised Nissan up to €91m to protect from any Brexit fallout' Euronews Available at: <https://www.euronews.com/2019/02/04/uk-promised-to-protect-nissan-from-brexit-fallout-with-91-million-of-support>

¹²³ Crafts, N. (2017) 'Brexit: A new industrial strategy and rules on state aid', VoxEU.org, 18 April. Available at: <https://voxeu.org/article/brexit-new-industrial-strategy-and-rules-state-aid>

¹²⁴ Wilson, T. and Gnatzy, P. (2020) 'COVID-19 and EU State aid recapitalisation', Kluwer Competition Law Blog. Available at: <http://competitionlawblog.kluwercompetitionlaw.com/2020/05/15/covid-19-and-eu-state-aid-recapitalisation/>

¹²⁵ Owen, G. (2017) 'Lessons from the US: innovation policy'. Policy Exchange, 18 March, Available at: <https://policyexchange.org.uk/publication/lessons-from-the-us-on-innovation-policy/>

Senior Bank of England Official *"State aid is like Treasury rules - a scapegoat for when you can't do something. When it tackles market failures and inequalities - which the EU State Aid rules allowed - it is fine. But subsidising firms we like is something we shouldn't do, even if we're allowed to do it."*

We also heard concerns that government schemes around industrial strategy will not help with "levelling up" but simply channel more money to business. This echoes warnings from academia that present plans, including the replacement of the EU's regional policy,^{126 127} would always deliver for the groups targeted by the domestic "levelling up" agenda.

John Elliott, EBAC *"Business is here to serve people, not the other way around. We're not here to help Nissan, it is here to help us."*

Josh Cameron FTI Consulting *"There is a worry that the Industrial Policy approach as part of the Levelling Up agenda is used to prop up uncompetitive policies which will set Global Britain back- it could lead to picking winners in politically sensitive areas rather than sustainable growth."*

Professor Robert Lawrence, Harvard Kennedy School *"A lot of government intervention in industrial policy is premised on the idea that it's a way to create inclusive growth. They may improve productivity in their own right yet they skew demand in the direction of skilled workers. They don't create new employment for those unhappy about jobs or lost employment."*

Is more regional and national devolution necessary for "levelling up" to succeed and the UK to survive?

Addressing regional divides is essential for the Union

Now that the UK has left the EU it has more freedom to choose how to pursue its domestic, regional and economic agenda. But, as a consequence of Brexit and the fact that Scottish voters clearly voted to remain in the EU, the Union is now coming under great strain with the Scottish National Party ('SNP') advocating a new referendum and the polls now indicating a majority for independence.

With the end of EU regional policy the UK now has the opportunity to shape its approach to tackling regional divides.

Tony Danker, CBI *"We have always been in deficit regarding the competitiveness of our regions. The only way to implement the 'levelling up' agenda is to first ensure it has a microeconomic focus and second the government needs to have profound interest in facilitating regional international growth and competitiveness."*

Senior Downing Street Official *"I think the only way the UK can square its free trading, sort of free market approach is actually to be quite a lot less free market when it comes to regional growth. Britain can only do free trade deals and back*

¹²⁶ Giordano, B. (2020) 'Shared Prosperity Fund: lessons from EU funding for local and regional economic development' LSE Blogs, 21 December, Available at <https://blogs.lse.ac.uk/politicsandpolicy/shared-prosperity-fund-eu/>

¹²⁷ Jozepa, I. Brien, P (2021) 'Research Briefing: The UK Shared Prosperity Fund' House of Commons Library, 29 January, Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-8527/>

globalisation, if at the same time, the government has a clear set of policies and levers to direct investment within the UK."

John Mills, John Mills Limited *"To get the economy to grow you have just got to have a higher proportion of GDP spent on investment than we do."*

Policies targeted at regional development are needed, but what they should look like is less clear

Our interviewees agreed that the UK should attempt to develop policies to support left behind places, including policies to replace those of the EU. In England, the UK has at least eight place-based spending programmes which are focused on "levelling up", including the EU's Regional Development Fund which the UK needs to replace.¹²⁸ But there was some scepticism that the government's current approach to "levelling up" would work.

William Bain, British Retail Consortium *"To appeal to those in Red Wall constituencies which could now be the swing seats in any UK General Election - showing investments that matter to them will be critical in any UK Government's trade policy"*

Senior Downing Street Official *"I think the only way the UK can square its free trading, sort of free market approach is actually to be quite a lot less free market when it comes to regional growth. Britain can only do free trade deals and back globalisation, if at the same time, the government has a clear set of policies and levers to direct investment within the UK."*

While none of our interviewees proffered a silver bullet solution to the complex factors driving the UK's entrenched regional inequalities, there was an emerging consensus that a more radical approach to tackling regional inequality is needed. To achieve this the UK should move away from the usual emphasis on London and the South East and consider the wider ramifications of its trade policy on the rest of the UK, considering policies such as regional trade promotion, building on the 'Northern Powerhouse' trade missions.¹²⁹

Tom Riordan, Chief Executive, Leeds City Council *"London cannot survive on its own, so the UK cannot be just about that. We need to acknowledge the reason London can be what it is: because of the other parts of Britain."*

Dennis Novy, University of Warwick *"The UK needs to think about how trade policy interacts with other policy."*

Our interviewees told us that previously EU-wide competencies should be repatriated to the UK in a way that is sensitive to the needs of the devolved

¹²⁸ Davenport, A. Zaranko, B. (2020) 'Levelling up: where and how?' Institute for Fiscal Studies Available at: <https://www.ifs.org.uk/uploads/CH7-IFS-Green-Budget-2020-Levelling-up.pdf>

¹²⁹ Pope, T., Paun, A., Tetlow, G. (2019) 'Devolution and economic productivity in England', Institute for Government Roundtable, Available at: <https://www.instituteforgovernment.org.uk/sites/default/files/ifg-atkins-roundtable-devolution-and-productivity.pdf>

administration to avoid risking further strain to the Union.¹³⁰ Many hold greater devolution as an essential component of ensuring Global Britain is better able to address regional inequality within the UK,¹³¹ especially in areas such as agriculture.¹³²

Dominic Goudie, Food and Drink Federation *"The UK single market piece is problematic. Trade policy is UK competence, but agriculture is a devolved competence. Having this national conversation about trade is needed to solve some of the really big problems."*

Tom Riordan, Chief Executive, Leeds City Council *"We need national institutions that operate regionally, that have regional capabilities and understanding."*

Devolution may make Global Britain more complex to deliver, but the stakes call for a new constitutional settlement

But the government's Global Britain ambitions are imperilled by rising devolutionary pressures. Brexit is also putting great political pressure on relations between Northern Ireland and the rest of the UK where interviewees reminded us that the world, and in particular America, is watching.

Senior Downing Street Official *"There are some strong devolution issues in trade policy - it will be political, I don't know how it's going to play out."*

Ambassador Nicholas Burns, Harvard Kennedy School *"There is strong sentiment in the U.S. in favour of the Good Friday Agreement. Speaker Nancy Pelosi and candidate Joe Biden both warned the UK government in autumn 2020 not to leave the EU in such a way that would lead to the imposition of a hard border between the Republic of Ireland and Northern Ireland. Both said at the time that such an outcome would lead Democrats to oppose a trade agreement between the U.S. and UK."*

Paul Tucker, Senior Fellow Harvard University *"Geopolitics, and whether we can tackle low productivity growth, what happens in Scotland, and in Northern Ireland will affect the feasible options."*

So the challenge for the UK Government goes far beyond simply repatriating EU regional policy or simply devising a strategy to close English regional divides. Nothing short of a new constitutional settlement which persuades Scotland, Wales and Northern Ireland that their best interests are served by membership of the Union, and also empowers the cities and towns of England, will do.

¹³⁰ Fraser, D. (2021) 'New UK Shared Prosperity Fund to bypass Holyrood' BBC News, 17 January, Available at: <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-55687977>

¹³¹ Sergeant, J. (2021) 'Boris Johnson needs answers for the challenges he faces in each part of the UK' Institute for Government, 28 January, Available at: <https://www.instituteforgovernment.org.uk/blog/boris-johnson-challenges-uk>

¹³² Melo-Araujo, B. (2019) 'UK post-Brexit trade agreements and devolution', Legal Studies, Available at: https://pureadmin.qub.ac.uk/ws/portalfiles/portal/163783949/UK_FTAs_and_Devolution_LS_Manuscript_Accepted.pdf

David Wright, Former European Commission Official *"It looks like the Scots are going to go, and Northern Ireland may also decide to leave. You can't play a Global Britain role while the whole country is disintegrating."*

Rem Korteweg, Clingendael Institute *"Global Britain has to first clear the pretty high bar of not becoming Global England - preserving the Union is a central challenge for the next 5-10 years"*

Conclusion: This is the Global Britain choice

- Delivering fairer domestic outcomes, both regionally and between cities and towns, is vital for Global Britain.
- Our interviewees rejected simply undercutting international competition and instead advocated investing in innovation, skills, infrastructure and trade-adjustment assistance.
- The UK must replace European industrial and agricultural policies, and find a new constitutional settlement to sustain the Union and tackle regional divides.
- Other countries will be watching closely: the economic and political divides that Global Britain must tackle are common to many countries.

5. Narrative

Going from a leading nation within a giant bloc to a mid-size, independent global power, must be told through a new domestic and international story, if Global Britain is to succeed. Many of our interviewees raised the need for a new national narrative to accompany the seismic changes of Brexit. They differed in their view of what narrative would resonate with both audiences within and outside the UK.

Why does narrative matter?

Striking the balance to find the pragmatic middle ground

Our interviewees told us that Global Britain is yet to strike the right tone - Britain must avoid the temptation to fall into pessimistic self-flagellation, or grandiose hubris, both of which are counterproductive. Instead, interviewees identified that the narrative has got to fit with the actual agenda that Britain is following, showcasing its assets and capabilities to ensure its ambition is credible.

Brussels-Based Foreign Office Official *"Global Britain has been around for a long time. It doesn't communicate terribly well. We simply state we want global reach. As a consequence it seems hubristic and that we're trying too hard, rather than meriting global reach through hard work."*

Jo Johnson, Former Cabinet Minister *"Global Britain needs to ensure that on a world stage it shows off its knowledge assets, its scientists, its amazing human capital. The UK must seek to be seen as an open and innovative economy where people who want to start amazing businesses - the next Tesla, the next Space X - know they can find the supporting skills and talent to help them do so."*

In our interviews we heard that the narrative needs to be realistic and must engage with the unassailable fact that the UK is located in Europe. The narrative must acknowledge the move away from the EU and its assets, without betraying its geography and treating its closest neighbour with hostility. More work is needed in the shaping of a story of Britain outside the EU but still in Europe.

Senior UK Treasury Official *"If you describe an issue as international then we will agree, if you describe it as European then we'll disagree."*

Anand Menon, Director of UK in a Changing Europe *"There's an obvious political allergy to be seen to be working with the EU which is regrettable but it's something that will need to be addressed, we're going to have to work with them."*

Communicating values requires consistency between words and action, internationally and domestically

Our interviewees told us that there was a lot to be gained from promoting a story of British openness and competence in the world, adopting a tone that engages international partners, and speaks to the quality policy-making and commercial competence which are one facet of Britain's 'brand', and should be a positive part

of its story. If Britain can get this right, it will boost Britain's positive reputation as a good place to live and do business.

Senior Downing Street Official *"The story that the government tells is one of being a democratic, internationally outward-looking nation that stands up for free trade, and protecting the climate."*

Jo Johnson, Former Cabinet Minister *"There's no greater test of a country's soft power than its ability to attract students to come and live in a foreign society far from home and to get them to commit their time, money and human capital to forging their way in your society, and if you can do that as a country then you've really got something very special."*

However, some interviewees pointed to the risk of a mismatch between the brand that Global Britain may be attempting to project abroad and Britain's conduct. If Britain's image appears self-aggrandized there is a risk of disjunct between Britain's outward-looking ambitions and others' perceptions of its capabilities that could undermine Global Britain.

Senior UK Treasury Official *"There's been a lot of hubris in British politics in recent years. Whatever the shenanigans in Parliament, the Treasury has presented as a sensible player internationally. But it won't last forever."*

David Wright, Former European Commission Official *"Britain cannot play a major global leadership role without leaders who have proven integrity, trust, method and reliability. Currently we don't have those people."*

Britain must exercise humility with respect to its legacy of colonialism, domestically and internationally. A sensitive approach will be needed, for example, as the UK negotiates new trading relations with India,¹³³ and responds to demands for reparations.¹³⁴

Wayne Swan, Former Australian Finance Minister *"If the UK did a roadshow about returning to a world of Commonwealth trading relationship to launch Global Britain that would be spectacularly unsuccessful and in itself harmful."*

Tom Riordan, Chief Executive, Leeds City Council *"The message cannot be an imperial vision anymore. The way other countries do it, such as New Zealand and Canada is largely being an outside player in collaboration with other countries."*

Andy Burwell, CBI *"If the UK wants to shape the future global environment, it can only do so through alliances and collective action. Linking foreign policy to trade sounds very colonial."*

¹³³ Niblett, R. (2021) 'Global Britain, global broker: A blueprint for the UK's future international role, Chapter 5: Partners, Counterparts and Rivals' Chatham House, 11 January, Available at: <https://www.chathamhouse.org/2021/01/global-britain-global-broker>

¹³⁴ Forrest, A. (2020) 'British firms should pay reparations for slave trade, say Caribbean nations', The Independent, 19 June, Available at: <https://www.independent.co.uk/news/uk/home-news/black-lives-matter-british-firms-reparations-slavery-caribbean-a9575146.html>.

A Global Britain that delivers

It is the general public who will be the ultimate arbiters of whether Global Britain is a success. However, Britain showcases itself internationally, the Global Britain set of policies need to deliver at home to sustain support.

John Elliott, EBAC *"This idea of being global doesn't mean that the government can avoid running the UK well. We have to use this opportunity to think more locally as opposed to globally."*

Senior Downing Street Official *"There is quite a patriotic, defence orientated, version of Britain not being bossed around, but people will sign up to any slogan that you want if it delivers better hospitals, schools and jobs and homes when that is what matters to people."*

Sajid Javid, Former Chancellor of the Exchequer *"There is a way that you could be patriotic that doesn't exclude other's views, and of how your country is playing a role to try and solve some of the world's biggest, knottiest, most challenging problems."*

Another common point made by interviewees was the need to tell a 'competence story' at the international and domestic level. The 2019 British Social Attitudes Survey showed a significant fall in trust for government to some of the lowest levels seen in 40 years,¹³⁵ and trust is also important at an international level. For Global Britain to make a success of the G7 and COP it must show it can run these events smoothly and effectively.

Paul Tucker, Senior Fellow Harvard University *"How the UK chairs the G7 and COP will play a fundamental role in determining other states' perceptions of Global Britain."*

What can other countries teach Britain?

Global Britain must strike an outward-looking but humble tone

Our international interviewees agreed with many of the points raised above. They told us that a narrative of British success that was blind to how the world has changed in the recent years would not work. International interviewees pointed to the importance of Britain being outward looking and collaborative, humble not arrogant, and having clarity of message.

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"You need to let the big blocs get the glory. That's easy if you're Canada - you're just glad to be at the table. Yet much harder for the UK, which used to be an Empire and world power. The UK needs to be tactical, and appropriately humble."*

Senior European Commission Official *"It's difficult to foresee anyone trusting a version of the UK as a leader or broker when it has just abandoned its opportunity to do brokerage in the deepest international agreement - the EU."*

¹³⁵ British Social Attitudes Survey (2020) 'British Social Attitudes, NatCen Social Research' Available at: <https://bsa.natcen.ac.uk/latest-report/british-social-attitudes-37/consequences-of-brexite.aspx>.

They also emphasised the conceptual clash between the ambitions for Global Britain and Britain's withdrawal from the EU, and emphasised that Britain needs to work out a way to heal the rifts that have divided the UK.

These rifts include the regional economic divides highlighted in our domestic "levelling up" agenda chapter, but also those caused by the decision to leave the EU in the first place.¹³⁶

Tharman Shanmugaratnam, Senior Minister of Singapore *"You need to properly regenerate areas across the board to avoid a Brexit-type perception of who is gaining and who is losing."*

Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England *"Britain needs to tell a 'competence' story -the vaccine story can be part of that."*

Maria Demertzis, Bruegel Think-Tank *"Pushing for a green transition that is equitable is important. The EU will push this through Germany and France, and the UK would be a good partner to this. However, if you are going to do it externally you need to implement it internally, or you won't have any credibility."*

The world will be watching

As Britain looks to other countries for ideas, other countries will be looking back at Britain to see whether it can make a success of the next few years and whether it can use Global Britain as a way to answer political and economic questions back at home.

Senior Cabinet Office Official *"I don't believe anybody in the G7, and possibly nobody in the G20 has worked out how to do the sort of broad-based growth and development across the country of the sort that is needed."*

Craig VanGrasstek, Harvard Kennedy School *"When countries talk about trade it must be something which they subordinate to questions to politics and economics domestically."*

Tharman Shanmugaratnam, Senior Minister of Singapore *"What you do in areas like health and social care and how to act on climate will determine whether the UK can be an exemplar. When people think of Singapore, they think - that's a very good education system, and then they take what we can lend them in terms of expertise. You build on your brand with domestic policy."*

Paul Tucker, Senior Fellow Harvard University *"It is tremendously important not to talk about Global Britain in a nationalistic way as what the rest of the world will hear is nationalism rather than openness. There's a risk that 'Global Britain' sounds bombastic to serious people in other capitals."*

¹³⁶ Smith, F. (2020) 'With the transition period almost over, by 51% to 40% Britons think we were wrong to vote to leave', YouGov, 22 December Available at: <https://yougov.co.uk/topics/politics/articles-reports/2020/12/22/transition-period-almost-over-51-40-britons-think->.

Conclusion: This is the Global Britain choice

- This year Britain will begin to develop its narrative through its response to Covid-19 in the G7 and the vaccine rollout, Climate policy at COP, and decisions on migration and “levelling up”
- Our international interviews advised that the Global Britain narrative needs to be:
 - Outward looking and collaborative, not adversarial
 - Humble not arrogant
 - Consistent between international and domestic audiences
- Our UK interviews stressed that hubris and pessimism risk undermining the Global Britain narrative; and that Global Britain must show the public and the world it is addressing internal divides within the UK

Conclusion

Global Britain does not have to be situated in the extremes of 'Imperial Britain' - a hubristic expectation that a return to 19th century levels of British colonial trade and political dominance is possible. Nor does it need to be 'Britain Diminished' - a pessimistic view that leaving the EU consigns the UK to economic and political decline. The reality and potential of Global Britain lies between these two poles, in a pragmatic but ambitiously outward-looking and progressive country.

So what could this pragmatic Global Britain look like? Our paper explored the different challenges and choices faced by UK political leaders in articulating a future direction for the country:

- Are bilateral deals enough, or can the UK build plurilateral alliances?
- Will the UK's regulatory approach be competitive deregulation, or brokering new solutions to global problems?
- Will the UK clamp down on unskilled migration, or build public support for fair and effective managed migration?
- Can regional divides be closed and the union saved?
- Can the government sell a Global Britain narrative to both the British public and the world?

With choices come trade-offs. Pursuit of open trade conflicts with a champions-based industrial strategy; prioritising bilateral deal-making weakens efforts to repair multilateralism; preserving regulatory sovereignty clashes with international influence; controlling migration with finding new talent; and a global focus can suggest an indifference to addressing issues at home.

To help guide UK policy makers as they seek to define what a post-Brexit Global Britain will mean in practice, our paper suggests these starting conclusions.

First, these challenges show that Global Britain must be about more than trade policy. It demands new approaches to regulation, migration and "levelling up" to reduce domestic inequalities. This wider agenda will determine whether the population see Global Britain delivering results on the home front, and whether the rest of the world sees Britain as a country that can successfully grapple with difficulties facing many countries.

It is therefore essential that Global Britain conveys a consistent message internally and externally as what is implemented and said domestically will condition popular support for an open Global Britain, as well as its international reception.

Second, Global Britain can be a leader, but only in collaboration. Competence, humility, and good ideas should guide the UK in its international engagements. The 2021 G7 presidency and COP chair are opportunities to put this into practice. The UK has a role to play in addressing global challenges such as the climate emergency and Covid-19 recovery, not from a position of superiority or 'Britain knows best', but as a broker and collaborative equal to its peers.

Finally, strategic prioritisation is necessary in recognition of the simultaneous challenges of the UK's limited, but still substantial influence as a mid-sized power and the resource and capacity challenges during the Covid-19 recovery. Rather than trying to do everything, Global Britain must learn where to support other countries' leadership, and where to focus its own efforts. This prioritisation serves

a dual purpose of helping Global Britain to articulate its post-Brexit story by showing what it values most. A vital part of that prioritisation, and that story, will be maintaining a positive relationship with the EU.

The UK's approach to the Covid-19 public health crisis and vaccine development shows the importance of getting 'Global Britain' right. In the early days of the pandemic, a "Britain knows best" mentality led the government to ignore WHO advice,¹³⁷¹³⁸ with lessons from countries such as China, South Korea and Italy needlessly discounted.¹³⁹ These mistakes led to the tragic loss of life that means the UK remains one of the worst hit countries by the pandemic.¹⁴⁰

The UK's lead in the vaccine rollout allows the UK government to tell a different story of Global Britain. By taking the opportunity to use its leverage and expertise to advocate for the vaccine to be accessible globally, Global Britain can show itself as an outward looking, humble and progressive player, which understands that its problems are also global problems which must be solved amongst peers.

The UK faces big choices on how to develop the Global Britain agenda. Parties across the political spectrum must now mould the Global Britain of their choosing.

¹³⁷ Pollock, A. M. *et al.* (2020) 'Covid-19: why is the UK government ignoring WHO's advice?', *BMJ*, 368, p. m1284. doi: [10.1136/bmj.m1284](https://doi.org/10.1136/bmj.m1284).

¹³⁸ Perrigo, B. (2020) *How the U.K. Fumbled Its Coronavirus Response*, *Time*. Available at: <https://time.com/5823382/britain-coronavirus-response/>.

¹³⁹ Costello, A. (2020) *The United Kingdom is flying blind on Covid-19*, *The New Statesman*. Available at: www.newstatesman.com/politics/staggers/2020/03/uk-response-coronavirus-pandemic-distancing-medical-advice.

¹⁴⁰ de Best, R. (2021) *COVID-19 deaths per capita by country*, *Statista*. Available at: <http://www.statista.com/statistics/1104709/coronavirus-deaths-worldwide-per-million-inhabitants/>.

Interviewee List

1. Anand Menon, Director of UK in a Changing Europe
2. Andy Burwell, CBI
3. Angus Canvin, UK Finance
4. Brussels-Based Foreign Office Official
5. Dr Conor Patterson, Newry and Mourne Co-Operative and Enterprise Agency
6. Craig VanGrasstek, Harvard Kennedy School
7. Daniel Keohane, Centre for European Reform
8. David Wright, Former European Commission Official
9. Dennis Novy, University of Warwick
10. Dominic Goudie, Food and Drink Federation
11. Jacob Hayler, Environmental Services Association
12. Jo Johnson, Former Cabinet Minister
13. John Elliott, EBAC
14. John Mills, John Mills Limited
15. Jonathan Portes, King's College London
16. Josh Cameron, FTI Consulting
17. Kevin Ellis, Chairman of PWC UK
18. Laura Cohen, British Ceramics Confederation
19. Maria Demertzis, Bruegel Think Tank
20. Mark Carney, Former Canadian G7 Sherpa, and Former Governor of the Bank of England
21. Oliver Patel, UCL
22. Ambassador Nicholas Burns, Harvard Kennedy School
23. Senior European Commission Official
24. Professor Peter Hall, Harvard University
25. Peter Holmes, University of Sussex
26. Peter Walsh, Oxford Migration Observatory
27. Rem Korteweg, Clingendael Institute
28. Rob Driscoll, Electrical Contractors' Association
29. Professor Robert Lawrence, Harvard Kennedy School
30. Robert Sheasby, Agricultural Industries Confederation
31. Rosa Crawford, TUC
32. Sajid Javid, Former Chancellor of the Exchequer
33. Senior Bank of England Official
34. Senior Cabinet Office Official
35. Senior European Commission Official
36. Senior UK Treasury Official
37. Senior Downing Street Official
38. Shanker Singham, CEO of Competere Ltd, Former Trade Advisor to USTR and UK Trade Secretary:
39. Shashank Joshi, The Economist

- 40.Simon Usherwood, University of Surrey
- 41.Sophia Gaston, British Foreign Policy Group
- 42.Stephanie Wray, Biocensus
- 43.Stephen Adams, Global Counsel
- 44.Stephen Howarth, Agricultural Economist
- 45.Tharman Shanmugaratnam, Senior Minister of Singapore
- 46.Thomas Sampson, London School of Economics
- 47.Tony Danker, CBI
- 48.Tom Riordan Chief Executive, Leeds City Council
- 49.Wayne Swan, Former Australian Finance Minister
- 50.William Bain, British Retail Consortium

We are enormously grateful to the senior government officials who took the time to speak with us anonymously. Due to the sensitive nature of their roles in the negotiations we cannot attribute quotes to these senior officials individually. A list of interviewees has been presented to John Haigh, co-director of the Mossavar-Rahmani Center for Business and Government at Harvard Kennedy School. Some of the companies and industry experts we interviewed chose to remain anonymous. In addition to the interviews, we reviewed the constantly growing body of literature on this topic being published and have included this within our paper.

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