



ECONOMICS
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Proposal for a Secretary of State for Competitiveness

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SUMMARY

In order to deliver the new Prime Minister Theresa May's promise that "Brexit means Brexit", we propose the creation of a new senior Cabinet-level role of Secretary of State for Competitiveness (SoSC). This position would have three inter-related responsibilities:

- » Negotiating a new trading relationship with the EU;
- » Maximising trading opportunities with the rest of the world; and
- » Reducing barriers to competition within the UK.

BACKGROUND

In light of the Brexit vote, the UK will need to create a serious trade and competitiveness capability. There are plenty of precedents for doing this. The Office of the United States Trade Representative (USTR) is a special agency in the Office of the President designed to conduct trade negotiations and enforce trade agreements. USTR works well because it is lean (c.100 people), incorporates some of the world's best private sector negotiators, and has a direct connection to the President.

In Mexico in the late 1980s, President Salinas approached a number of countries for trade agreements with Mexico. This outreach ultimately resulted in the creation of the North American Free Trade Agreement (NAFTA) and some 45 Free Trade Agreements (FTAs) and Investment Agreements. Chile also has some 27 FTAs and other agreements with a range of countries. In both cases, the negotiations necessitated the creation of a very strong trade negotiating capability within the governments. In the case of Mexico, a cadre of officials were able to assist other countries with their trade negotiations.

PROPOSAL—SECRETARY OF STATE FOR COMPETITIVENESS

All countries that have embarked on significant free trade initiatives have been intentional about how to manage the trade negotiating function. In the UK political system, the best way to achieve this is through the creation of a dedicated, senior Cabinet-level position.

The new SoSC would need to achieve the following over the next few years;

1. Guarantee market access to, and contestability within, the EU for Britain's powerful services industries.
2. Reform freedom of movement of persons, doing a deal on free movement of labour.
3. Reduce agricultural protectionism. The UK has an opportunity to negotiate more freely without being hampered by the Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP).
4. Begin formal negotiations with other markets, including
 - » A Prosperity Zone with Australia, US, Canada, NZ, Singapore, and possibly Mexico/NAFTA.
 - » Upgrading the Commonwealth into a Free Trade Zone.
 - » Deals with key BRIC markets such as India and China.

The UK's particular competitive strength lies in services, and this is where some of the most pernicious roadblocks to international trade exist. The current situation allows an opportunity to think about the way that the UK can better negotiate a reduction of barriers to its services, and to aggressively go after that with as many markets as it can.

The SoSC should have a portfolio that reflects the reality of modern global supply chains and the modern global economy. He or she should be equally concerned about domestic measures in the UK that damage competition and competitiveness and should be empowered to break these down, just as he or she is empowered to break down barriers to UK industry in other countries.

If the UK established an SoSC, the office required to support this role would be a much sought after posting. We suggest that this office should be led by a Special Trade Representative (STR), an appointed post serving under the SoSC. Most trade lawyers in the US have at some point spent time inside USTR, and with various world trade negotiations stalled or on the brink of collapse, the UK Government would have no problem attracting the highest possible calibre of negotiators. For this to succeed, it is essential that the SoSC under which the STR serves is able to speak on behalf of the Government and not be second guessed by the UK's trade partners.

PRIVATE SECTOR INPUT

To support the process of negotiating a satisfactory relationship with the EU, building new trade links with the world, and liberalising our own economy, the UK needs to establish and formalise the currently informal process of private sector input into negotiations. The US model of cleared advisors who serve on specific Industry Trade Advisory Groups is instructive. In this way commercial input into negotiations can be effective. In the US, USTR listens carefully to the advice of business, environmental groups and labour voices who have cleared access to confidential texts as they are developed, and so can give better quality advice. Any negotiation the UK has on trade must be driven by commercial interests, and this is how those commercial interests can best be channelled.

For the private sector to meaningfully input into the process, it is necessary to allow private sector representatives to have sight of early and confidential draft texts. The confidentiality of these texts must be honoured, and so candidates for the Advisory Committee must have signed the Official Secrets Act and agree to maintain confidentiality, as well as putting into place systems in their workplaces that protects confidential information.