

## A Short Guide to Starting a New Country



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## Introduction

If Scotland voted to become independent, what would happen next? There is evidence that failing to map this out clearly for voters played some part in the loss of the 2014 independence referendum. To try and address this, Common Weal launched the White Paper Project, a series of policy papers examining each aspect of what would be needed to create an independent Scottish state.

This has been an enormous amount of work and so it has been pulled together in a book, *How to Start a New Country*. This is a shorter, summarised version of the longer book. It covers the same areas and outlines the main arguments but cuts back on much of the detail and some of the more detailed arguments. The reader should refer to the longer book (or the original policy papers) for more information.

The aim was straightforward – to look honestly at what work is involved, to raise the difficult questions and to seek to find workable, deliverable answers. While the project started out from the assumption that achieving Scottish independence is possible and takes a broadly optimistic view of the possibilities, it has not sought to understate or minimise the difficulties.

If there is one conclusion its that achieving Scottish independence will be hard work, but that most of it is in our own hands to do – if we choose to. And while the work is hard, it is achievable. Most of the tasks are ones which have been completed many times in many places and there is widespread knowledge about how to get them done. Some are complex and difficult, but most primarily involve determination to succeed and good planning.

The book does not seek to make the case for Scottish independence nor does it seek to say anything specific about what life would look like after independence. It begins on the day after a successful vote for independence and ends on independence day. Its focus is purely on the three years it would take to make that transition.

However, as we look at the work that needs to be done and we envisage the Scotland that would result, it presents a picture of years of great

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opportunity, a genuinely once-in-a-lifetime chance to create a new nation fit for its people and for the 21st century.



## Timeline

Before looking at all the individual tasks which will be involved in setting up a new country, let's take a quick overview of what it might all look like when put together. We can't wait until after we've had an independence referendum to begin building a new country so let's start the timeline about 18 months before a vote is held.

With about eighteen months to go we need to start thinking about recruitment. An awful lot of what is involved in setting up a new country involves identifying and recruiting the best people to lead the various necessary tasks. These are senior people and it will take time to find them and persuade them to take up the role. We should allow a full year and a half to put a core team together if we want them to be ready to start work immediately after a vote for independence.

Then, with not more than a year to go we should produce an interim constitution, one to reassure people that their basic constitutional rights will be fully protected. A constitutional convention should be called, primarily drawing on the knowledge of experts in writing constitutions but also including representatives from Scottish society more widely.

With not more than about six months to go a final detailed White Paper should be produced to set out everything people will need to know about what the new Scottish state will look like. This must contain all the detail covered in this book. And then with not more than three months to go there should be in place a full implementation plan – a strategy for how all the work outlined in the White Paper will be delivered effectively and efficiently over the three-year transition period.

That takes us to the independence referendum itself. And of course, nothing is more important in creating a new country than that it is done with the support of a majority of the Scottish population. An independence referendum must be won. Then the hard work can begin.

The first thing we should do after that is partly symbolic but is also an important technical requirement – we should immediately seek 'legal

personality' from Westminster. This would not mean being recognised as an independent country but would grant us the ability to negotiate with other international bodies, enter into contracts, borrow money and so on.

While this is happening all the transition arrangements must be put in place. The Holyrood government will continue to run all existing devolved policy areas as they currently do and Westminster would continue to run all devolved policy areas. However, there should be a coordination committee set up to make sure that what Westminster does does not prejudice what Scotland might be aiming to do during the transition period.

And then we get to one of the biggest tasks. Scotland will need a new body to manage and carry out the very large volume of work needed to set up a new nation. So we should create a National Commission. This would be a body that would exist for only three years and function like a kind of time-limited, democratically governed civil service. It would recruit and employ people to do all aspects of the set-up work.

The National Commission would be open and transparent with all political parties and other civil organisations being represented on its governing body. It would not make or impose decisions which have not been openly debated and agreed. This will give the people of Scotland the confidence to believe that this new start is one that belongs to everyone and not just a selected few.

As soon as it exists the National Commission must put in place strong project and financial management rules. And it must be able to issue government-backed bonds to pay for all the development work. This is how the setting-up of a new Scotland will be financed – the National Commission shall borrow to pay to do all the work and then at the end of the set-up period the debt created by the National Commission will be added to the national debt for the new Scotland.

It is now time to begin the actual work. The first thing to do is to set up a digital version of the new Scottish currency. This is what banks need to begin preparing new kinds of accounts and to help all other preparations for currency introduction. At this point the new currency doesn't 'exist' (you can't own it or spend it) – it is a first technical step that is needed.

The next urgent thing to prepare is the negotiating team and negotiating strategy for agreeing the terms of separation with the rest of the UK. Ideally a chunk of this work will have been done well in advance, but it must now be finalised and committed to. There would be perhaps six months in which to do this.

Another task that should be prioritised in the first quarter of the first transition year is early steps needed to update the nation's IT systems. It is essential that this is done well and that it is all in place so that the transition is seamless, so it must be begun early.

By the time we are into the second quarter of the first transition

year we should be starting the process of having a full, inclusive national conversation about what should be in the final constitution. This will mean a major programme of going out to communities all over Scotland and having deep engagement with citizens over what they feel should be the underpinning principles of the new Scottish constitution. This must be a lengthy process to give people time to engage.

At this stage we should also be starting the task of setting up a Scottish Defence Force. Recruitment and procurement will take time so should begin early. The same is true for some of the more complex government systems that need to be set up such as the tax and social security systems.

By the time we reach the half-way point of the first transition year we should expect to be opening negotiations with the rest of the UK over the terms of separation, so exhaustive preparations must be in place by this point. It is the stage at which we can also begin initial contact with international institutions such as the United Nations, the World Trade Organisation or the European Union to take the first steps towards negotiating future relationships.

The third quarter of the first year (once the digital currency is set up) is when the National Commission should begin working with the banks to begin the process of setting up new bank accounts in the Scottish currency. This is also the time to start making the arrangements for establishing a central bank.

There are a number of new government departments which need to be set up but the one that should now be treated as a priority is a Foreign Office. Not only will we need this in place to take over international negotiations but we will also have to start talking to foreign governments and identifying properties for a Scottish consular network.

Getting into the final quarter of the first transition year, it is time to build a new digital payment system for the new currency to replace the BACS system (which can only pay in Sterling).

The last thing that needs to be done in the first year is to get wider political agreement on how to set up a number of the systems where duplication of the status quo isn't possible or isn't sensible. An all-party and civic convention should be held to negotiate how to create the interim policies in areas such as tax and social security which are fit for purpose and also a fair starting point for any incoming government.

By the start of the second transition year banks will be starting to be ready to offer the first bank accounts denominated in the Scottish currency. These will then need to be accompanied by a public information campaign about how the new currency will be introduced and to encourage people to start thinking about making the transition to the new accounts. The central bank should at this point begin to build up the foreign currency reserves it is going to need to support and protect the new currency.

Moving towards a Scottish energy system should begin now. This will be a mainly technical process in which a Scottish Transmission System Operator (to regulate the national grid) and an energy regulator (to monitor the overall market and protect consumers) must be set up.

The political convention held at the end of the previous year should have set an interim policy approach for tax and social security systems. These agreements should now be turned into policies which can be put in place as development of the technical systems to operate the tax and social security system progress.

The first quarter of the second year is the latest point at which the process of setting up a customs service should begin. This means recruiting staff, creating customs offices and setting up the infrastructure needed at ports and airports.

This is also the time to start to prepare for a post-independence broadcasting set-up. That means that a national broadcaster is created and that both putting in place technical requirements and programme commissioning begins. There will also have to be negotiations with the BBC to secure a commercial deal to enable Scotland to maintain access to BBC content after independence. Finally, a media regulator needs to be set up to replace OfCom.

The start of the second year is also the time to begin initial trade negotiations. This should begin with conversations with EFTA and initial contact with the European Economic Area. It should be possible to negotiate a rapid entry to EFTA and from there take the steps towards single market membership through the EEA.

By the second quarter of the second year people will be taking up Scottish bank accounts and so will be able to own and spend the new Scottish currency – though only in digital form. It is important that they are able to use these accounts so by this point it must be made possible to pay all Scottish taxes in the new currency.

It is also time to create a new immigration service for Scotland and to set up a system of ‘citizen identifiers’ to replace National Insurance Numbers. This is also when we should design the relationship between citizens and the data the state holds about them.

By the middle of the second transition year the steps to disentangle a new Scottish civil service from the existing UK civil service should begin. This will also mean a very large recruitment process to begin to replace the many government functions which are currently delivered for Scotland from other parts of the UK.

There are a range of regulatory bodies which must be in place for Scotland to become a member of the European single market. Some exist but others don’t and they vary substantially in terms of how hard they are to set up. Indeed, it may be wise to have begun the creation of some

of these well before this point. This takes us into the third quarter of the second year.

It is good practice to have a large public consultation on what the banknotes and coins of the new currency will look like; the easiest way to do that is to integrate it into the ongoing public consultation over the new constitution. By the middle of the second year it is time to start commissioning the physical notes and coins, which means that all vending machines in the country need to be adapted to accept them. This should also begin now.

Ideally it would have been best to start the preparations for Scotland's border with England by this point but since many of the arrangements will rest on negotiations with the rest of the UK it may not be until this point that proper planning for the border arrangements can begin (though some technical aspects can start much earlier). Another procurement job at this point will be to begin the production of Scottish passports.

By the end of the second year it will be worth starting to work our way through the many international treaties to which Scotland is a signatory through its membership of the UK. A different approach to each will have to be taken so they will need to be prioritised.

We now enter the final transition year. At this stage all the existing work programme will be at a peak with many work streams beginning to come to a conclusion and many 'facts on the ground' starting to be in place. It will be 18 months since negotiations with the rest of the UK began. If adequate preparations have been made it is to be hoped that these negotiations will be reaching agreement.

As we get into the second quarter of the final year the large public constitution-writing process should have been completed and the findings should be being written up as a final proposed constitution for Scotland.

The mid-way point of the final year is a crucial milestone. We should now be seeing all the main systems in place and 'shadowing' the existing systems. That means having tax, social security, IT arrangements, customs service, new government departments and so on all in place and operational. They will not yet take over these functions but by operating them as a 'shadow' to the UK systems which on which we will still be relying there is a six-month 'trouble-shooting' period in which to make sure they are robust and ready to take over responsibility after independence.

It is also important that by this point all the technical infrastructure to manage Scotland's borders is in place and operating as a shadow to the UK systems. The border policy position will also be clear by this point assuming negotiations have been completed. These must be implemented.

At this point with less than six months to go before independence, it will be important to underpin the new constitution by seeking public support for it in an approval referendum. It is important to be clear on what this means;

the decision to become independent has been made and independence day has been set. That decision was made on the basis of a published interim constitution. The crowd-sourced, publicly-produced constitution developed by the National Commission will also be ready. The people of Scotland will be asked formally to approve that new constitution. If they don't, Scotland would progress on to independence based on the interim constitution and the issue would become one for the Scottish Parliament after independence.

Since there will be a referendum, this is also an opportunity to resolve any other contentious issues which have not yet been resolved. For example, questions about whether we should rejoin the European Union (the process for which couldn't begin until after independence anyway) and who should be the head of state could be resolved at this point.

As we go through the third quarter of the year it should also become mandatory to pay all taxes in Scotland in the new currency. This will involve a campaign of public support to help people get their bank accounts set up so taxes can be collected.

The start of the last quarter of the last year is when the logistical process of issuing the new banknotes and coins should happen. There will have to be support for retailers and in being ready to trade primarily using this currency and employers supported to be able to pay wages in it.

The second last step is to refinance all the national debt. This will include both the debt incurred by the National Commission in setting up the new country and also any debt that Scotland would inherit as a result of negotiations with the UK. That debt will be refinanced and then inherited by an incoming Scottish Government.

The final step is then to introduce the new banknotes and coins into general circulation and to switch over from all the existing infrastructure to all the new infrastructure which has been created over the preceding three years – moving to the new computer systems and so on.

Preparations will also have been made to hold a full Scottish General Election within three months of independence day. This is when independent Scotland will choose its first government – and when the business of being a proper country starts in earnest.

And with all this done, at the end of the third transition year, the work will be complete. Scotland will become an independent country.

## The strategy

The contents of this book are based on a solid strategy and that strategy will help to guide the work and how things are designed. These are the assumptions that underpin that strategy:

### More haste, less independence

It would be possible to attempt to create an ‘express’ form of Scottish independence, to minimise the transition period and move as quickly as possible to independence day. This will be emotionally attractive to many people, but it comes at a cost. The only way to move rapidly to a Scottish state is to build in a greater degree of dependence at the start. We can share systems with the remainder of the UK (to be referred to as rUK) and that will save us time setting up those systems for ourselves. But this has two consequences.

First, Scotland will begin as an independent country with substantial restrictions on what the nation can do. Each shared system will be dominated by the country which ‘owns’ the system (primarily rUK) and so it will not be possible to deviate too far from the policies of that country. It places a great restriction on the country, and so inevitably will result in demands to become more autonomous. This means that the early years and possibly decades of independence could be bogged down as the Scottish Government has to unpick all the sharing agreements it has entered into – and it may not be possible to change these unilaterally. It would be a new nation with its hands tied.

But there is a second important reason why a higher degree of dependence on rUK is harmful to Scotland’s move to independence – the impact on negotiations. Scotland will have to negotiate some contentious issues with rUK and inevitably the two sides will have different interests. In a negotiation, the side which needs more out of the negotiation is always in

the weaker position. The more Scotland needs from rUK (such as sharing agreements without which Scottish independence isn't viable), the easier it becomes for rUK to extract potentially painful concessions from Scotland. The more we need, the less we get.

Impatience will not make Scotland more independent – quite the opposite. So a timescale must be set which enables us to enact an independence strategy successfully. This requires us to look at all the individual tasks and look at which will take longest. Some simply can't be completed until after independence (if Scotland wishes to rejoin the European Union, it cannot formally apply until it is a fully independent nation state) and others are long-term projects (building up the full capacity of the armed forces will take time). Of the systems which must be in place for independence day, the one which will take the longest time is introducing a new currency.

So if enough time is allowed to get a currency set up properly, the other essential tasks are capable of being completed within that timescale. And since (with solid preparation) a currency can be implemented in three years, that is the transition timescale which has been accepted as the basis for all of this work.

## Build it properly – then choose

This therefore strongly suggests a maximalist approach to Scottish independence, that we are as self-reliant as is reasonably possible from day one. It means that the things that would be expected of a modern nation are fully functioning on independence day. A nation needs to collect all its taxes and pay all its wages and benefits, manage its borders, negotiate its foreign relations and so on. The strategy is based on having all of these things in place and fully working by independence day.

This does not mean that Scotland would behave in an 'isolationist' way or not seek to be involved in many international partnerships. What it means is that Scotland can then choose what it wants to enter into partnership with and not be forced to form partnerships to be able to function. All nations voluntarily give up elements of their sovereignty when they create trade deals or sign international treaties. This strategy does not see Scotland as any different; only that we should broadly seek to develop full sovereignty and then decide which bits we wish to give away through collaboration and agreement.

So the strategy is based on examining all the 'moving parts' of a modern nation state, identifying which ones are missing in Scotland – and fully replacing them.



## More than one thing happens at once...

This means there is a lot of work to do, and that it must be done properly. That is not going to be achieved through one small team managing and controlling everything. It can only be achieved if a proper work programme is put in place with many individual teams working in parallel to get all the tasks completed – but in a coordinated way.

So this strategy is based on the assumption that Scotland must create the capacity to undertake a good many tasks at the same time, that this capacity must be in place very quickly after a vote for independence, and that it is carefully coordinated and project-managed to ensure that it is all completed in the three year timescale. This is not capacity which is currently sitting around somewhere in Scotland, twiddling its thumbs. It means that we need the infrastructure to build the infrastructure.

## Built by people

There are a small number of tasks which involve a substantial amount of procurement and many of them require a substantial amount of investment. But the new Scotland is not built out of high-grade steel and it is not powered by rare elements. The vast majority of what will make the set-up process successful is the quality of the people doing the work; by far the most important inputs are skills and knowledge. The strategy is based much less on trying to answer the fine detail of every question or intricately designing complex systems and much more on providing clear, unambiguous guidelines on what is to be done and then finding and recruiting the best possible people to do it. Achieving Scottish independence will be a people-powered job.

## Built for people

In turn, the reason for building this new Scotland is also people – Scotland's citizens and the many people from around the world who live here or visit us. Big corporations (usually consultancy companies like the big four accountancy firms) would probably be quite happy to bid for an outsourced contract to build a new country. More often than not, that is how even government's in Scotland go about procuring big new projects. However, as we have seen over and over again, it is inevitable that the commercial interests of the corporation will clash with the interests of the Scottish public. And, over and over again, we have seen how it is the public which loses out.

There may be some superficial attractiveness in simply winning an

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