

UNITED KINGDOM

Post Brexit Britain turns away from Europe to look East

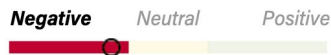
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Short-term trajectory:



Long-term trajectory:



- The UK government today finally unveiled its “Global Britain” ambitions; the key is a strategic pivot to closer ties with Indo-Pacific countries such as India, Japan and South Korea.
- Boris Johnson’s “integrated review” of foreign and security policy risks a backlash from his own MPs, by rejecting a tougher stance towards China in the hope of promoting closer UK-Sino trade and investment ties; however, the Tory party will broadly welcome the fact there was nothing in the review to suggest the UK will seek close foreign policy co-operation with the EU.
- Whether Johnson will be able to build the new alliances he hopes for remains in doubt; his government has twice been accused of breaking international law amid tensions with the EU, raising questions about his government’s commitment to the rules-based global order.

Boris Johnson has finally put some flesh on the bare bones of his “Global Britain” slogan. A long-awaited integrated review of security, defence and foreign policy published today, the most far-reaching since the end of the Cold War, said the UK is “a European country with global interests.” Acknowledging the slogan’s vagueness, the 111-page report said: “What Global Britain means in practice is best defined by actions rather than words.”

The key post-Brexit strategy on which the UK’s actions will now be judged is a pivot to closer ties with Indo-Pacific countries such as India, Japan and South Korea, in line with the world’s new geopolitical and economic gravity. Many Conservative MPs had hoped this move would signal a greater willingness to stand up to China; they were bitterly disappointed. In their eyes, Johnson lived up to his previous description of himself as “Sinophile”; they accused him of

naively pursuing the “golden era” of relations with China sought by David Cameron. In fact, Johnson is trying to have the best of both worlds, standing up to Beijing on human rights (over Hong Kong and the treatment of the Uighur Muslims in Xinjiang) while boosting trade, Chinese investment in the UK and co-operation on issues such as climate change. His position, then, is not too dissimilar to the EU’s, with its recently agreed “Comprehensive Agreement on Investment” or “CAI” for short.

Johnson rejected a “new cold war” with China but faces a battle with Tory MPs in the China Research Group, many of whom see the issue as a successor to their Brexit cause. They want Johnson to rule out a trade deal with China; although one is not on the cards and would in any case take years, he will not close the door. However, Tory MPs welcomed the government’s plans to learn lessons from the Huawei affair by making the UK a science and technology “superpower” with greater resilience through a more active industrial strategy modelled on the UK’s successful vaccination program.

Johnson put China, a “systemic challenge,” in a different category to Russia –“the most acute threat to our security.” In this he drew a parallel to the EU, where the political debate— led jointly by the French and the Germans—is whether to be softer on Moscow (balanced against Eastern and Baltic concerns about Vladimir Putin’s assertiveness). In many ways the differing positions between the UK and the EU on Russia reflect a longstanding geopolitical rivalry predating the Cold War (the UK has always pushed for a tougher stance against Russia and while in the EU, amplified and cheer-led demands by most former Soviet states to go tougher on Moscow). These longstanding dynamics are therefore continuing to play out post-Brexit.

Still, to try to allay the Biden’s administration’s concern about the UK’s shift to the east, the review stressed that “the bulk of the UK’s security focus” will remain the Euro-Atlantic region.

Johnson will face criticism for leaving a Europe-sized hole in his foreign policy; there was nothing in the review to encourage pro-Europeans that the UK will anytime soon forge EU-wide foreign policy links (or collaborate on defence projects with countries such as France). The paper said: “Our exit from the EU means we have the opportunity to follow different economic and political paths where this is in our interests, and to mark a distinctive approach to foreign policy. Equally, we will work with the EU where our interests coincide.”

The Labour opposition said there was some cross-party support for the Indo-Pacific tilt but warned of a “ yawning chasm” between Johnson’s ambitions and his actual policies. It claimed his stance on China lacked coherence and was based on trade rather than values.

Other question marks remain. Some Whitehall officials doubt whether the post-Covid fiscal climate will allow the UK to extend its reach to the east. The surprise decision to pave the way for the maximum number of warheads on the UK’s Trident nuclear submarines from 180 to 260 is designed to show that the UK is still a player on the world stage and send a “tough on defence” message to both the Tories’ new working class and traditional supporters. In practice, such an increase will probably take several years as a Trident modernization project is already behind schedule.

More immediately, there are predictions of a black hole of up to £17bn in the Ministry of Defense’s 10-year equipment program despite the £16.5bn injection over four years announced last November. The squeeze will be apparent when a defence white paper is published next Monday, which ministers admit will spell out “tough decisions”. They include a possible 10,000 cut in the size of the Army to 72,000 as part of a switch from “sunset” to “sunrise” capabilities such as cyber, artificial intelligence and space.

The other question mark acknowledged privately in Whitehall is over the UK’s ability to build new alliances. It aspires to such a new role just as the United States is re-engaging with the world after

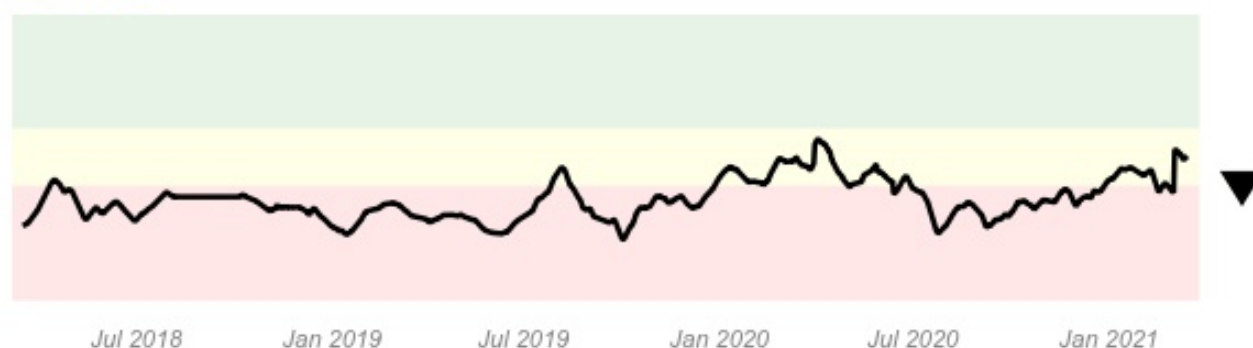
the Trump era. While Johnson and Biden will work together on enhancing the democratic club of nations—for example, creating a D10 group of the G7 nations plus India (which Johnson will visit next month), Australia and South Korea.

But doubts about Johnson’s commitment to the rules-based global order have grown because of and since Brexit. He has twice been accused of breaking international law amid tensions with the EU, and currently risks a conflict over Northern Ireland which could jeopardize the Irish peace process. His government is also cutting the UK’s overseas aid budget during a global pandemic, harming its global image and leaving it open to Labour’s charge of reducing aid to Yemen while supplying arms to Saudi Arabia (unlike the US under its new management). As with China, Johnson faces trouble in his own party over the controversial decision to reduce aid spending from 0.7% to 0.5% of gross national income. Fear of a possible Commons defeat led ministers to delay a vote on the issue and insert a last-minute pledge into the review that the cut will be “temporary”.

Johnson might want to flex the UK’s muscles abroad, but still faces many battles on the home front.

EG sentiment adjusted short-term trajectory as at 03/15/2021 18:01 ET is:

NEUTRAL



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Positive: Political factors in the country are anticipated to have a positive impact on the macro business environment

Neutral: Political factors in the country are anticipated to have a neutral or negligible impact on the macro business environment

Negative: Political factors in the country are anticipated to have a negative impact on the macro business environment

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