

Britain and the BRI: What is May's next move?

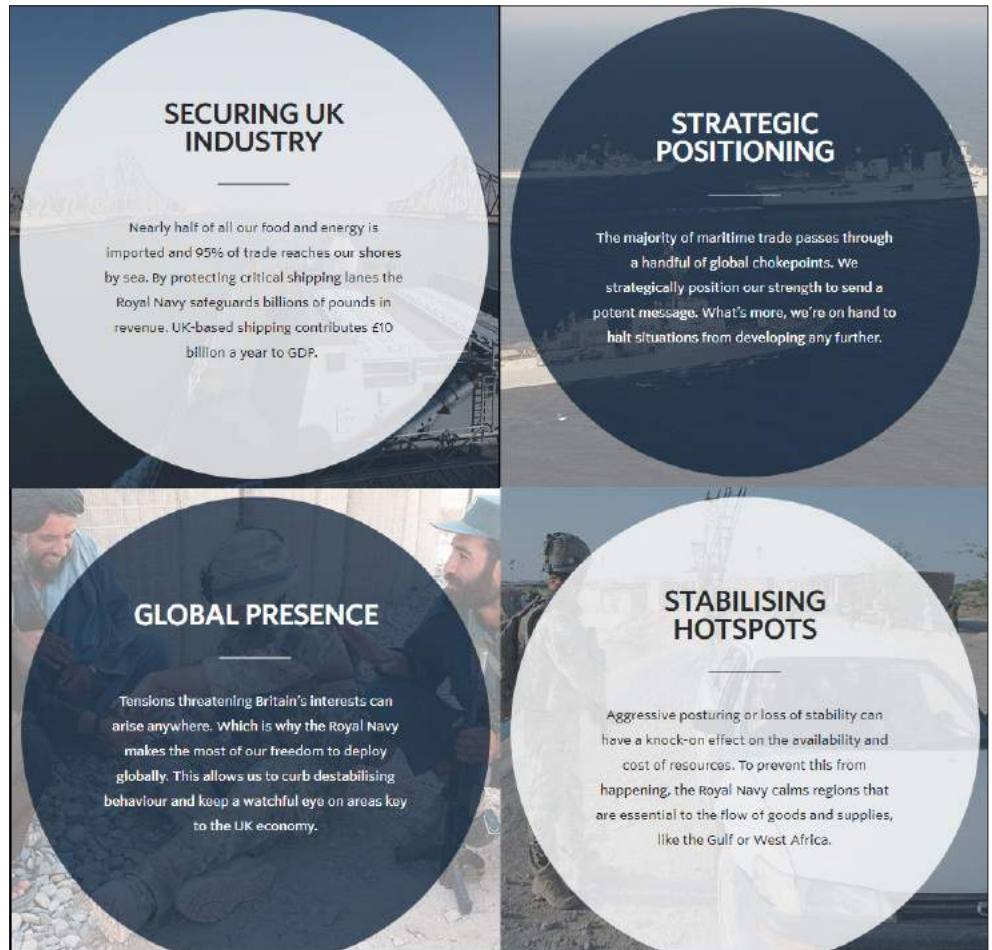
By Elisa Barwick

31 Jan.—British Prime Minister Theresa May is in China for three days, visiting Wuhan, Beijing and Shanghai with a delegation of 50 business leaders. May has thus far refused to formally endorse the Belt and Road Initiative (BRI), as sought by Beijing. Last year May delayed the approval of China's role in building the Hinkley nuclear power plant due to national security concerns about foreign investment in vital infrastructure.

In a 23 January interview with Chinese press reported by Xinhua, Chinese Ambassador to Britain Liu Xiaoming said of the trip: "I hope China and Britain will form an institutional framework under the Belt and Road Initiative at an early date, so as to provide guidance to companies from both countries as they set out to play a part in this initiative, achieve more substantive outcomes and build more flagship projects."

For its part, China is happy to include the UK in its all-inclusive scheme, even to the extent of talking up how the BRI can complement Britain's strategic outlook and areas of expertise. Recognising Britain's broader ambition, Ambassador Liu said that Britain's recent exit from the European Union offered an opportunity for China-UK ties as Britain aimed to build a "Global Britain". The Bank of China's London manager, Sun Yu, has welcomed City of London banks playing a role in risk management along the Belt and Road, and Citigroup, HSBC, Standard Chartered and Credit Suisse will all provide services relating to mergers and acquisitions, cash management, trade finance and hedging. Various factions in the UK, including within the City of London, have been keen to take advantage of opportunities from participating in the BRI.

The UK government's intentions towards the BRI, however, are not straightforward. Former UK Chancellor George Osborne's chief economist, Lord Jim O'Neill, said he was "baffled" by May's approach to China once she took the reins of government. According to the 27 January *Financial Times*, he called May's trip "exceptionally important" as it could promote the PM's "desire to project a 'global Britain'" in the wake of Brexit. Both this and Liu's remarks reveal some insight into the double game May is doing a bad job of concealing. By its own admission, the British establishment is moving to reestablish its former maritime power in order to maintain the global domination it has wielded through the "informal financial empire" it built up following decolonisation. This is threatened by the collaboration and development growing around the BRI. Britain also needs to have a foot in the door on the BRI, however, in order to influence and exploit the project if it succeeds.



The British Royal Navy's statement of purpose on its website. "The UK is so dependent on the seas for its prosperity, that without the Royal Navy acting as a deterrent the effect on the economy would be overwhelming," it states. Photo: royalnavy.mod.uk

British press warnings of the end of the short-lived "Golden Era" of UK-China relations ushered in by Chinese President Xi Jinping's visit to Britain in 2015, are disingenuous. The press traces the decline of the relationship to May taking over from David Cameron and his chancellor George Osborne in 2016, but the shift actually came on the back of Brexit—which spelt disaster for the City of London oligarchy, not only due to the potential loss of control of Europe but due to the new political dynamic of the public revolting against the elites that came into play. In response, a new imperial strategy was launched. May declared that Britain would become the "champion of free trade", later telling the 2017 Davos World Economic Forum the UK "will step up to a new leadership role as the strongest and most forceful advocate for business, free markets and free trade anywhere in the world ... [to] shape a new era of globalisation ... that will bring the benefits of free trade to every corner of the world". (Emphasis added.)

After Brexit the Head of the British Royal Navy, Admiral Sir Philip Jones, revived memories of gunboat diplomacy by declaring that "the Royal Navy stands ready once again to be melded and aligned for the best effect with our nation's growing global ambition"—as it did at the height of Empire. ("Free trade and gun boats: Britannia to again rule the waves?", AAS 23 Nov. 2016) Later he told military leaders at a defence fair that, "This is nothing less than a new era of British maritime power." ("Britain's pivot to Asia is maritime empire Mark II", AAS 25 Oct. 2017)

Britain sees Australia as a base for its new strategy. In a submission to an Australian parliamentary committee

scoping out a future Australia-UK free trade agreement, HSBC, one of the corporations accompanying May on her trip, said “One significant opportunity that Australia can offer the UK is the potential for British investors to invest in Australia as a way of capturing growth in Asia. Australia’s participation in the Regional Comprehensive Economic Partnership (RCEP) places it strategically in the emerging Asian regional trade architecture, just as agreements such as TTIP and TPP in certain other regions appear to be stalling.”

This reflects the 1995 strategy document called “Britain and the world”, issued by the Royal Institute of International Affairs (Chatham House), which identified the British Commonwealth as the core of a new British Empire—“an informal financial empire” in which Australia would be a British “bridgehead into Asia”, for the thousands of British corporations which have their Asia-Pacific headquarters in Australia.

The history of British free trade reveals it was based on looting, rather than the win-win approach China is promoting. A look at the website of the British Royal Navy today makes it abundantly clear that control of trade and geopolitical ambition is still at the root of Britain’s free trade drive. Former Chatham House analyst and writer Mark Curtis tweeted in regard to the page on “[protecting our economy](#)”: “UK Navy’s openly-declared goals are to control resource-rich regions and threaten those who challenge this.”

Britain: a power in Asia?

A 22 January article by the Lowy Institute’s *Interpreter*, “Britain can be a power in Asia”, lays out the base

and networks Britain has, upon which it can rapidly unleash its new maritime prowess. In a drive to upscale its military, Britain has launched two new aircraft carriers, three times bigger than its previous carriers and which at 70,000 tonnes “significantly outweigh the combined tonnage of all surface combatants in the German Navy, while the Royal Fleet Auxiliary (Britain’s naval replenishment service) has more than five times the displacement of all the French Navy’s comparable large auxiliary vessels.” With one of the world’s largest military expenditures, “British shipbuilding, aerospace, and defence industries bring in revenues of US\$40 billion”—more than that of France or Russia.

The Interpreter describes “Britain’s ‘strategic array’ of naval and air stations” across the world, including deepening military ties in Asia and new naval facilities in the Gulf and Arabian Sea. Along with Britain’s “powerful position within the Five Eyes network” and the Indo-Pacific Five Power Defence Arrangement (a defence relationship between Commonwealth members the UK, Australia, New Zealand, Malaysia and Singapore), the UK “is well within its capabilities to seek a constabulary role over its trade routes, even beyond Singapore”.

The article concludes: “As the UK’s focus moves away from the European continent and back to its traditional maritime space, its hard power will follow. In the face of rising maritime trade and maritime security challenges, the UK is destined to look at trade, economy and security in a far more unified way than in recent years. This isn’t Britain pining for an imagined imperial past; this is a Britain prepared for a rules-based maritime future.”

Shifting alliances in ‘new world order’

An article in the London *Telegraph* of 16 January by defence editor Con Coughlin pointed out that Britain will need to build a new set of alliances now that it has left the EU. “[W]e are witnessing a radical and complex re-alignment of national interests”, Coughlin says. “In Europe, the primary concern is how the continent will look once Brexit has been completed. But further afield, the uncertainty the Trump administration has generated about the existing world order, as well as the emergence of major new powers like China, has prompted a fundamental restructuring of global alliances.”

Coughlin maps out other examples of the “changing geopolitical landscape” including Russia “taking advantage of the new global realignment” with its Syria intervention, to build a new network of alliances in a “charm offensive”. (!)

A new “Entente Cordiale” with France is suggested as a crucial post-Brexit partnership, but Coughlin concludes that UK leaders “should also understand that the Trump era is not just redefining how America deals with the rest of the world. It is heralding the dawn of a new world order, one where old certainties are being replaced with new opportunities.”

An article published in the *Australian Financial Review* of 15 January headlined “It’s official: China wants its share of global leadership” also looked at the shifting sands of global alliances. American geopolitical analyst Ian Bremmer, president of political risk consultancy Eurasia Group, wrote about how China’s inclination for global leadership is changing the globe.

China is the only country stepping forward with a strategy to economically uplift the world, at a time when there is a vacuum of US leadership, Bremmer says. “For decades, Western leaders have assumed that a new Chinese middle class would force China’s leaders to liberalise the country’s politics. Instead, it is Western democracy that now appears under siege as citizens, angry over the toll that globalisation has taken on their lives and livelihoods, demand change and governments fail to deliver. Democracy is threatened by a weakening of public confidence in traditional political parties, the reliability of public information and the inviolability of the voting process.”

In contrast, China’s population is becoming more confident with the country’s economic progress. Mapping out the Belt and Road Initiative, and China’s no-strings-attached investment in developing nations, Bremmer says, “China is now setting international standards with less resistance than before. ...

“In 2018 and beyond, the global business environment will have to adapt to new rules, standards and practices advanced by China, not just within that country’s borders but in other countries where Chinese firms are increasing their presence and China’s government is expanding its influence.”

Existing world powers will obviously react, he concludes, because “the China model offers a plausible alternative. With Xi ready and willing to offer that alternative, this is the world’s biggest geopolitical risk in 2018.”