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Global Britain in a divided world

Testing the ambitions of the Integrated Review

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Summary

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- The *Integrated Review of Security, Defence, Development and Foreign Policy*, published in March 2021, set out the UK government's objectives for 'Global Britain in a Competitive Age' through to 2030. These are to (1) uphold an international order supportive of liberal democratic values; (2) contribute to the security of this order; (3) help build greater global resilience to the impacts of climate change and health insecurity and promote sustainable development; and (4) pursue an international economic agenda that strengthens the UK's global competitiveness and supports the welfare of its citizens.
 - A year later, with the Integrated Review's warnings that Russia is the most acute threat to European security proved correct, this research paper assesses the UK's performance against these four objectives, and identifies priorities for the government in the next two years.
 - The UK has made credible contributions to the first two objectives. It used its G7 presidency in 2021 to widen the community of liberal democracies, enabling like-minded states to better coordinate their responses to rising Chinese influence, and creating the platform for meaningful sanctions against Russia following its invasion of Ukraine. And the UK's steps to strengthen its commitments to NATO, to northern European security and in support of Ukraine ahead of the invasion added to the credibility of this response.
 - However, the government's record in meeting its commitments to build global resilience has been mixed. Its COP26 presidency supported important progress towards the Paris Agreement goals. But, despite the ongoing COVID-19 pandemic, the UK failed to muster a meaningful G7 response to global vaccine distribution; and severe and sudden cuts to UK foreign aid undermined the Integrated Review's commitments in areas such as supporting development in sub-Saharan Africa and the promotion of girls' education.
 - The UK has made important strides in its international economic agenda, renegotiating on a bilateral basis all the trade deals it previously enjoyed as an EU member, and taking advantage of greater regulatory flexibility to build on its competitive advantages in tech start-ups, finance and fintech, and biotechnology.
 - But the frictions associated with exiting the European Single Market and Customs Union will only come fully into play in 2022, and these could reawaken political tensions between the UK and the EU at a time when the Russia–Ukraine crisis demands close coordination among European allies.

- A first priority, therefore, should be to leverage the shared determination to confront Russian aggression in order to rebuild UK–EU relations. The EU’s powerful response to Russia’s invasion of Ukraine, along with the US administration’s efforts to coordinate NATO and EU action, offer new opportunities. The UK could link its thinking on plans to upgrade NATO’s Strategic Concept with the EU’s new commitments to strengthen Europe’s defence capabilities. This would lessen the risks of the UK being sidelined by closer US–EU cooperation across a range of transatlantic priorities, including digital trade and technology governance.
- Second, the UK could hedge against this risk, as well as against the possibility of a return to power of an anti-EU US administration, by investing more diplomatic effort in formalizing a ‘G7 Plus’ community composed at a minimum of the current G7 members plus Indo-Pacific partners. This wider grouping would enable the UK to pursue its international priorities more effectively alongside its main allies.
- Third, the UK needs to focus its trade strategy on those countries and regions that could be important partners in what may become a more structural division between Russia and China on the one hand, and the G7 Plus on the other. Completing entry to the CPTPP would send an important signal in this respect. So would undertaking trade deals with countries outside the UK’s ‘network of liberty’, such as Egypt and Vietnam, which could yet be drawn into a network of autocratic states.
- And, having advertised itself as a leading contributor to building the resilience of the poorer members of the international community, the UK needs to live up to its commitments on climate finance, on the transfer of medical know-how, and on infrastructure investment.
- The spillovers from the COVID-19 pandemic, compounded by spiking prices of essential commodities as a result of the conflict in Ukraine and sanctions on Russia, constitute a huge shock to the welfare of the most vulnerable. Poorer countries will not forgive the UK or other developed democracies if they do not support them through this turmoil. The UK is especially open to charges of hypocrisy following the severe cuts to its foreign aid budget in 2021, as well as its poor record on refugees and asylum policy. A truly global Britain will live up to its promises to the wider world.

01 Introduction: the Integrated Review's four priorities

The consequences of Russia's invasion of Ukraine have put the Integrated Review's vision of the UK as a 'problem-solving and burden-sharing nation with global perspectives' to an urgent and severe test.

The UK government's *Integrated Review of Security, Defence, Development and Foreign Policy*¹ (the Integrated Review), published in March 2021, pointed to two interconnected futures. One emphasized the risks of a more competitive and unstable age, in which the persistent threat from a resentful Russia would be compounded by the continuing rise of an authoritarian China. The risks of instability emanated not only from the determination of these two powers to contest the post-Cold War international order, but also from the global challenges arising from accelerating climate change, the COVID-19 pandemic and digital vulnerabilities, among others, and the huge stresses each of these presents for the Global South in particular. A year later, in the weeks following Russia's full-scale invasion of Ukraine, some of the gravest risks identified

¹ HM Government (2021), *Global Britain in a competitive age: the Integrated Review of Security, Defence, Development and Foreign Policy*, London: HMSO, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age-the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf.

in the Integrated Review have come to pass. Confronting this crisis and – just as importantly – its global spillovers will be the focus of UK foreign policy for years to come.

The second of the interconnected futures concerned the role that the UK would play in this more unstable and contested world. Here, the core argument revolved around the assets that ‘Global Britain’ could bring to bear to help shape this world to its advantage, and to that of its allies and partners. These assets include its status as one of the largest economies, which affords it a wide range of tools – military, diplomatic, and related to development and intelligence – with which to pursue its international priorities; and its leading position in an exceptionally broad network of international institutions, ranging from the G7, the G20 and the IMF, to the UN Security Council, NATO and the Commonwealth.

Britain’s international voice is enhanced by the fact that UK-based companies sit at the heart of global finance, while its academic institutions are leading contributors to scientific innovation, research and development, and its media and NGOs give UK perspectives an influential voice in global debates on international policy.² Drawing on these assets, British civil society, as well as the UK government, has long been among those leading international responses to the global challenges of climate change, infectious diseases and cybersecurity.

The consequences of Russia’s invasion of Ukraine have put the vision of the UK as a ‘problem-solving and burden-sharing nation with global perspectives’³ to an immediate and severe test. This paper considers the UK’s performance in the year leading up to and into this crisis against the ambitions that the government laid out for Britain’s future global role. It analyses how the UK has fared economically and geopolitically, and makes an early judgment as to whether the UK is adapting to a more competitive age. The paper then considers the country’s prospects and choices for the next two critical years.

In the Integrated Review, the government set out four main strategic priorities.⁴ First, the UK would help shape an international order that upholds liberal democratic values, especially in Europe and the Indo-Pacific; an order that is open politically and economically, and that supports the government’s desire to strike new trade agreements and economic relationships based on its national assets and interests.

Second, the UK would live up to its obligations as a major contributor to upholding international security. The focus would be on Europe, its own neighbourhood, where Russia was assessed as constituting ‘the most acute threat’ to British security. Hence, the government described its determination to be ‘the leading European Ally within NATO’. The Integrated Review also confirmed a ‘tilt’ to the Indo-Pacific, an increasingly important region for UK and global economic security and the epicentre for the strategic competition between the US, Britain’s main ally, and China, described as a ‘systemic competitor’.⁵

² Niblett, R. (2021), *Global Britain, global broker: A blueprint for the UK’s future international role*, pp. 17–18, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/01/global-britain-global-broker>.

³ HM Government (2021), *Integrated Review*, p. 6.

⁴ *Ibid.*, pp. 18–19 and pp. 20–22.

⁵ *Ibid.*, p. 26.

Third, the UK would build greater ‘resilience’ globally, as well as at home, by playing a leading role in addressing the critical global challenges posed by climate change, health insecurity, conflict and poverty.⁶ It would do so by drawing on its strong diplomatic and development resources, as well as its legally binding commitments to delivering the green transition and its financial pledges to support better global health provision.

The UK has more assets than most countries to pursue its international goals in a meaningful way. But assets do not automatically translate into influence or success.

Fourth, the government would pursue the UK’s economic interests internationally, ensuring a connection between its foreign policy and the economic welfare of the UK and its citizens.⁷ In part, this would be through a proactive trade agenda. Linked to this was the ambition to become a ‘science and technology superpower’ by 2030. A combination of government assets (such as GCHQ and the new National Cyber Force), the power of the City of London, and private sector and academic capabilities would attract investment and high-quality jobs into digital innovation, while ensuring that the cyber realm does not become a vector for greater insecurity.⁸

The UK has more assets than most countries to pursue its international goals in a meaningful way. But assets do not automatically translate into influence or success. Resource prioritization and policy implementation, as well as the dynamics of the international context, are critically important.

One central challenge for the UK over the past year, as the Integrated Review recognized, has been to manage the inevitable tensions between the government’s near-term interests, which are generally economic, and long-term goals, related to upholding the values that underpin liberal democratic order and the institutions designed to protect them.⁹ Another challenge has been to marshal limited national financial resources towards the government’s international goals, when there is increased domestic competition for these same resources following the COVID-19 pandemic and the effects of a decade of fiscal austerity. There is also the challenge of determining how best to leverage bilateral relationships and multilateral institutions at a time when Brexit turbulence has not abated, leaving the UK at greater risk of being targeted by its rivals or excluded from some aspects of coordination between its close allies.

⁶ Ibid., p. 31.

⁷ ‘We will use all our economic tools and our independent trade policy to create economic growth that is distributed more equitably across the UK.’ Ibid., p. 20.

⁸ Ibid., p. 7.

⁹ Ibid., p. 17.

The UK government has tried to chart a careful course through each of these challenges in the year since the release of the Integrated Review, and now in the context of the war in Ukraine. As discussed in Chapter 2 of this paper, it has upheld its commitment to the country's core geopolitical objectives, including marshalling alongside the G7 a wider community of liberal democracies. But the way it has managed its resource trade-offs has undermined the commitment to enhancing global resilience. Moreover, while the government, under Prime Minister Boris Johnson, has been a canny opportunist in pursuing its international economic agenda, it has also continued to demonstrate, like the prime minister himself, a counterproductive antagonism towards the EU. Continuing to fuel a fractious relationship with this major neighbouring institution carries clear risks for the UK's economy, and for the government's capacity to meet the other objectives of the Integrated Review.

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Chapter 3 assesses how the UK could mitigate some of the divergences between the government's stated objectives and its current direction of travel. It considers four steps:

- First, given the new context in Europe after Russia's invasion of Ukraine, how can the UK improve its relations with the EU in order to achieve its first two objectives.
- Second, how can it build on its investment in a larger 'G7 Plus' of liberal democracies that will improve prospects of confronting the world's two largest autocracies successfully, while reducing the risk that the UK will find itself squeezed by a closer US–EU relationship.
- Third, how should the government now rethink its trade policy more explicitly along geo-economic lines and use it to expand and strengthen Britain's global network of allies in an increasingly divided world.
- And fourth, how should the UK follow through on its global resilience agenda given the potentially devastating economic spillovers from Russia's invasion of Ukraine and from the sanctions imposed by the G7 and others in reply. Proving that Britain will be a reliable partner to countries around the world, in supporting their own priorities around resilience and economic development, will be an important counterweight to perceptions that the UK's strategic focus will now return to Europe.

02

What has the government achieved against its objectives?

The UK has made clear contributions to its objectives of upholding the values and security of a liberal democratic international order. But it has undercut its commitments to support global resilience, and its international economic agenda remains very much a work in progress.

Supporting a liberal democratic international order

In terms of supporting an international order aligned with its core interests and values, the British government had a busy 2021. Its top priority was to use the UK's presidency of the G7 to help leading democracies develop a more united front in face of the spread of authoritarianism around the world.

The practical outcomes from the G7 Leaders' Summit, hosted by the UK government in Carbis Bay, Cornwall, in June 2021, were limited in terms of the major global issues on the agenda, such as climate change and vaccine distribution: the summit sustained momentum in each of these areas but did

not catalyse action.¹⁰ The most important function of the leaders' summit was to mark a return to the normal business of regular coordination between the world's largest liberal democracies, after the turbulence caused by Donald Trump's presidency of the US and his apparent preference for forging relations with autocratic strongmen over his G7 counterparts.

Importantly, the UK presidency of the G7 also paved the way for more formal coordination between the members of the 'western' G7 (Canada, France, Germany, Italy, Japan, the UK and the US – plus the EU) and the 'eastern' Quadrilateral Security Dialogue, or Quad (comprising Australia, India, Japan and the US), whose role as a more formal regional coordinating group is being nurtured by the Biden administration. When the UK invited the Quad members – as well as South Korea and South Africa – to attend this first post-Trump G7 summit, it sent an important signal: that the world's largest liberal democracies intended to work together on a common agenda to strengthen their position relative to China and Russia.

Underscoring this point, the leaders of all 11 countries attending the G7 summit as members or invited guests, together with EU leaders, signed a joint statement on 'Open Societies', in which they committed to uphold the 'founding values' of liberal democracies, including the protection and promotion of individual human rights, democratic governance, the rule of law, freedom of expression and a strong civil society.¹¹

The summit also committed the G7 and its partners to coordinate their supply chains for critical technologies. They endorsed the detailed plans agreed at the April meeting of G7 digital and technology ministers to promote a 'Secure, Resilient, and Diverse Digital, Telecoms, and ICT Infrastructure' that would reduce their dependence on Chinese technologies and expertise. The ministerial declaration agreed in April included the establishment of a Framework for G7 Collaboration on Digital Technical Standards; a G7 Roadmap for Cooperation on Data Free Flow with Trust; and a Framework for G7 Collaboration on Electronic Transferable Records.¹² G7 digital ministers, plus the governments of Australia and South Korea, also committed to support 'industry-led, inclusive multi-stakeholder approaches for the development of digital technical standards in line with our core values',¹³ thereby distinguishing their approach from the increasingly assertive Chinese and Russian efforts to embed governments at the heart of digital governance and standard-setting.

The UK and other G7 democracies also committed at the leaders' summit to respond to China's Belt and Road Initiative (BRI) by developing their own infrastructure investment strategy, now termed the 'Build Back Better World' (B3W) initiative. B3W is meant to prioritize transparent, environmentally

¹⁰ See, for example, Rachman, G. (2021), 'The G7 was stronger on values than hard cash', *Financial Times*, 13 June 2021, <https://www.ft.com/content/501551f1-5624-469c-bcf3-c31544de0e1e>.

¹¹ G7 (2021), '2021 Open Societies Statement', 13 June 2021, <https://www.g7uk.org/wp-content/uploads/2021/07/2021-Open-Societies-Statement-PDF-355KB-2-pages.pdf>.

¹² G7 (2021), 'Ministerial Declaration G7 Digital and Technology Ministers' meeting', 28 April 2021, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/981567/G7_Digital_and_Technology_Ministerial_Declaration.pdf.

¹³ G7 (2021), 'G7 Digital and Technology Track - Annex 1: Framework for G7 Collaboration on Digital Technical Standards', 28 April 2021, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/986159/Annex_1__Framework_for_G7_collaboration_on_Digital_Technical_Standards.pdf.

sustainable and market-led approaches to physical and digital infrastructure investments in developing and middle-income countries – again serving as a contrast to the Chinese approach.¹⁴

Five months after the summit, in November 2021, the UK sought to give the B3W initiative some much-needed substance by establishing a new official UK development fund, British International Investment (BII). The fund replaced the Commonwealth Development Corporation (CDC), and gave UK support for global infrastructure a more expansive geographic mandate – extending, for example, to the Indo-Pacific and the Caribbean. Tapping into private sector funding opportunities, including through the City of London, it emphasizes investment in climate-related finance and in digital transformation.¹⁵ Foreign Secretary Liz Truss was explicit about the linkage with the objectives of the Integrated Review when she stated that BII ‘aims to deepen economic, security and development ties globally and bring more countries into the orbit of free-market economies’.¹⁶

BII compares favourably with the EU’s Global Gateway, which was announced just six days later, in early December 2021, and which aims to mobilize up to £255 billion for guaranteed EU investments for infrastructure projects between 2021 and 2027 (£36.5 billion per year).¹⁷ For its part, BII is designed to mobilize up to £40 billion over five years (£8 billion per year).¹⁸ If both schemes spend their maximum budgets, Global Gateway will be about 4.5 times bigger than BII, although total EU GDP was some 5.6 times bigger than UK GDP in 2020.¹⁹ Importantly, the pledges contained in both initiatives²⁰ are likely to be significantly more generous than China’s BRI, when adjusted for GDP and population.

The G7 Carbis Bay Summit also served as a way station for the Biden administration’s Summit for Democracy, which took place in virtual format in December 2021. The link between the two was echoed in the theme of Liz Truss’s first speeches as foreign secretary, notably at the Conservative Party Conference in October and subsequently in December at Chatham House, where she set out the UK’s commitment to supporting a ‘network of liberty’. A principal driver of this commitment is a hardening of the government’s position towards China, as well as towards Russia. Beijing’s crackdown on democracy in Hong Kong, and its growing exports of surveillance technologies to regions of interest to the UK, including

¹⁴ G7 (2021), ‘Carbis Bay G7 Summit Communiqué: Our Shared Agenda for Global Action to Build Back Better’, 13 June 2021, pp. 23–24, <https://www.g7uk.org/wp-content/uploads/2021/06/Carbis-Bay-G7-Summit-Communique-PDF-430KB-25-pages-3.pdf>.

¹⁵ CDC (2021), ‘Enlarged remit announced for the UK’s development finance institution to deliver jobs and clean growth’, 25 November 2021, <https://www.cdcgroup.com/en/news-insight/news/enlarged-remit-announced-for-the-uks-development-finance-institution-to-deliver-jobs-and-clean-growth>.

¹⁶ Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2021), ‘Truss revamps British development finance institution to deliver jobs and clean growth’, press release, 24 November 2021, <https://www.gov.uk/government/news/truss-revamps-british-development-finance-institution-to-deliver-jobs-and-clean-growth>.

¹⁷ About half of this (up to €135 billion) is to be made available through the European Fund for Sustainable Development Plus (EFSD+). European Commission (2021), ‘Global Gateway: up to €300 billion for the European Union’s strategy to boost sustainable links around the world’, press release, 1 December 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433.

¹⁸ Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2021), ‘Truss revamps British development finance institution to deliver jobs and clean growth’.

¹⁹ World Bank (2022), ‘GDP (current US\$) - United Kingdom’, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=GB> (accessed 6 Mar. 2022).

²⁰ European Commission (2021), ‘Global Gateway’; Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2021), ‘Truss revamps British development finance institution to deliver jobs and clean growth’.

sub-Saharan Africa and the Gulf Cooperation Council (GCC) member states, has led to a closer alignment between UK, US and EU positions towards China in the past year, which is likely to intensify given Beijing's tacit (and potentially material) support for Russia's invasion of Ukraine in February 2022.

In June 2020, the UK had convinced other G7 members to issue a statement critical of China, following the Chinese government's imposition of a draconian new national security law in Hong Kong.²¹ It followed this by offering a pathway to citizenship for all existing Hong Kong British National (Overseas) (BN(O)) passport-holders, plus the 2.2 million Hongkongers who were entitled to apply for a BN(O) passport; suspending its extradition treaty with Hong Kong; and including the territory in the British arms embargo with mainland China.²² In the first nine months of 2021, nearly 88,000 BN(O) passport-holders applied for a visa.²³ In January 2021, with growing public and political focus on the human rights abuses being perpetrated on Chinese citizens belonging to the Uighur minority in the region of Xinjiang, the UK government also instituted requirements for UK-based companies to ensure that their trade with the region did not contravene the Modern Slavery Act.²⁴

UK actions on human rights went beyond China. In September 2020, the government had begun sanctions proceedings, ahead of the then-gridlocked EU, against individuals in the government of Aliaksandr Lukashenka in Belarus, in response to the Belarusian regime's use of political suppression following disputed elections.²⁵ In February 2021, under the umbrella of its G7 presidency, the UK convened a special meeting of the UN Security Council to call for sanctions on the military junta in Myanmar for its coup against the elected government and subsequent violence against civilian protesters. The UK government then undertook sanctions against individual members of the junta, suspended UK aid and blocked trade by British companies with businesses connected to the military.²⁶

²¹ Wintour, P. (2020), 'G7 urges China to reconsider new Hong Kong security laws', *Guardian*, 17 June 2020, <https://www.theguardian.com/world/2020/jun/17/g7-urges-china-to-reconsider-new-hong-kong-security-laws>, cited in Niblett (2021), *Global Britain, global broker*, p. 31.

²² Lau, S. and Wong, C. (2020), 'Britain suspends Hong Kong extradition treaty over national security law', *South China Morning Post*, 20 July 2020, <https://www.scmp.com/news/china/diplomacy/article/3093960/any-uk-move-suspend-extradition-treaty-interferes-domestic>, cited in Niblett (2021), *Global Britain, global broker*, p. 31.

²³ HM Government (2021), *Six-monthly report on Hong Kong: 1 January to 30 June 2021*, London: HMSO, p. 4, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040471/49th-Six-monthly-Report-on-Hong-Kong.pdf.

²⁴ Foreign, Commonwealth & Development Office, Home Office, Department for International Trade, The Rt Hon Priti Patel MP, The Rt Hon Elizabeth Truss MP and The Rt Hon Dominic Raab MP (2021), 'UK Government announces business measures over Xinjiang human rights abuses', press release, 12 January 2021, <https://www.gov.uk/government/news/uk-government-announces-business-measures-over-xinjiang-human-rights-abuses>.

²⁵ Wintour, P. (2020), 'UK plans 'Magnitsky'-style sanctions against officials in Belarus', *Guardian*, 24 September 2020, <https://www.theguardian.com/world/2020/sep/24/uk-plans-magnitsky-style-sanctions-against-officials-in-belarus>, cited in Niblett (2021), *Global Britain, global broker*, p. 31. Immediately after leaving the EU, the Johnson government developed its new UK sanctions regime (in the form of the Global Human Rights Sanctions Regulations 2020). The regime is modelled closely on the US's Magnitsky legislation, allowing the UK government to move rapidly to sanction individuals involved in human rights abuses in Russia, Saudi Arabia, Myanmar and North Korea. See Foreign & Commonwealth Office and The Rt Hon Dominic Raab MP (2020), 'UK announces first sanctions under new global human rights regime', press release, 6 July 2020, <https://www.gov.uk/government/news/uk-announces-first-sanctions-under-new-global-human-rights-regime>; and Wintour, P. and Harding, L. (2020), 'UK on collision course with Saudis over new human rights sanctions', *Guardian*, 6 July 2020, <https://www.theguardian.com/law/2020/jul/06/dominic-raab-to-announce-uk-sanctions-against-human-rights-abusers>.

²⁶ Foreign, Commonwealth & Development Office and The Rt Hon Dominic Raab MP (2021), 'UK sanctions further Myanmar military figures for role in coup', press release, 25 February 2021, <https://www.gov.uk/government/news/uk-sanctions-further-myanmar-military-figures-for-role-in-coup-february-25-2021>.

However, the one important contradiction to this otherwise positive agenda in support of the liberal democratic order resurfaced towards the end of 2021, as Western governments sought to use sanctions to push back against Russia's growing military pressure on Ukraine. The UK's policy and legal framework for tackling international corruption involving British companies is relatively strong, thanks to the 2010 Bribery Act. But the government had long failed to target individuals from authoritarian states found to have invested and laundered their money in the UK. As a result, the UK – and London specifically – has long been a favoured location for servicing unexplained wealth, especially for individuals from Russia and the former Soviet states, despite steps taken in 2015, and again in 2020, with the intention of strengthening UK legislation against money-laundering.²⁷

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In April 2021, the government passed new Global Anti-Corruption Sanctions Regulations to target foreign public officials involved in bribery and misappropriating public funds, and any companies or individuals in the UK facilitating their actions. The regulations were similar to existing arrangements in the US. However, the UK continued to face the problem that the burden of proof on whether an individual's wealth has been acquired legally tends to be determined according to whether it was assessed to be so acquired in the country of origin. This ignored the fact that the legal system in Russia and other parts of the world rarely makes this adjudication, other than for domestic political purposes.

The result was that, as Russia's military pressure on Ukraine intensified in January 2022, the UK came under increased internal and external criticism, including from the US, as it raced to design a legal framework under which it could target oligarchs whose acquisition of vast wealth inside the Russian economy was seen as indirectly propping up the regime in the Kremlin.²⁸ It was not until the end of that month that the government announced it would introduce legislation to target the UK-based assets of individuals engaged in undermining democracy.²⁹ The legislation passed on 10 February, just two weeks before Russia's invasion of Ukraine.³⁰ The UK subsequently found itself in the embarrassing

²⁷ See Heathershaw, J. et al. (2021), *The UK's kleptocracy problem: How servicing post-Soviet elites weakens the rule of law*, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/12/uks-kleptocracy-problem>.

²⁸ See, for example, the reference to 'Londongrad' in Bergman, M. (2022), 'How the United States Should Respond if Russia Invades Ukraine', Center for American Progress, 25 January 2022, <https://www.americanprogress.org/article/how-the-united-states-should-respond-if-russia-invades-ukraine>.

²⁹ Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2022), 'Foreign Secretary ramps up UK sanctions regime to leave Kremlin nowhere to hide', press release, 31 January 2022, <https://www.gov.uk/government/news/foreign-secretary-ramps-up-uk-sanctions-regime-to-leave-kremlin-nowhere-to-hide>.

³⁰ Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2022), 'Strengthened UK Russian sanctions legislation comes into force', press release, 10 February 2022, <https://www.gov.uk/government/news/strengthened-uk-russian-sanctions-legislation-comes-into-force>.

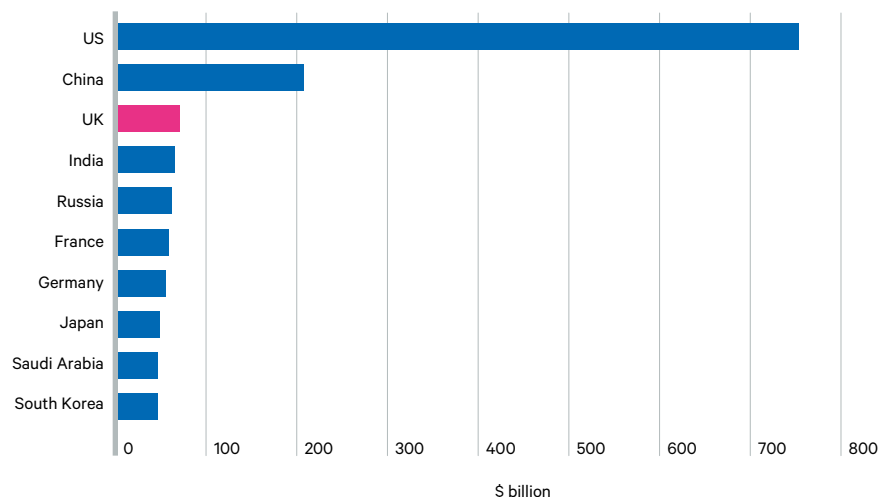
position of inching its way through sanctioning small numbers of Russian oligarchs under the new system, while the US and, surprisingly, the EU coordinated sanctions on hundreds of such individuals.

Nevertheless, at the time this paper was being compiled, in early 2022, the UK government was fully aligned with the US and the EU, and had jointly introduced an unprecedented set of sanctions against the regime of President Vladimir Putin and the Russian economy, including cutting the Central Bank of the Russian Federation (Bank of Russia) off from UK financial markets and steadily targeting a growing number of Russian banks and other economic actors in the effort to punish Putin for his attack on Ukraine and to build leverage for a future diplomatic solution.³¹

Supporting international security

In terms of contributing to the security of an international order that is aligned with the UK's interests and values, the government has lived up to many of the main objectives that it laid out in the Integrated Review. In November 2020, the government committed an additional £16.5 billion to its defence budget over four years, raising its defence spending as a proportion of GDP above 2 per cent and making it, for now, the third largest spender on defence in the world in 2021 behind the US and China.³² While much of this increase will go to fill gaps in funding for its ambitious procurement programme, the net result will be greater capacity to support its commitments to NATO and further afield.

Figure 1. Top 10 defence budgets 2021



Source: International Institute for Strategic Studies (2022), 'Military Balance 2022 Further assessments', 15 February 2022, <https://www.iiss.org/blogs/analysis/2022/02/military-balance-2022-further-assessments>.

³¹ Foreign, Commonwealth & Development Office and The Rt Hon Elizabeth Truss MP (2022), 'UK support for Ukraine following Russia's invasion: Foreign Secretary's statement 28 February 2022', oral statement to Parliament, 28 February 2022, <https://www.gov.uk/government/speeches/uk-support-for-ukraine-following-russias-invasion-foreign-secretarys-statement>.

³² Prime Minister's Office, 10 Downing Street (2020), 'PM to announce largest military investment in 30 years', press release, 19 November 2020, [https://www.gov.uk/government/news/pm-to-announce-largest-military-investment-in-30-years#:~:text=The%20%2%A316.5%20billion%20extra,every%20year%20of%20this%20parliament;International+Institute+for+Strategic+Studies+\(2022\),+Military+Balance+2022+Further+assessments](https://www.gov.uk/government/news/pm-to-announce-largest-military-investment-in-30-years#:~:text=The%20%2%A316.5%20billion%20extra,every%20year%20of%20this%20parliament;International+Institute+for+Strategic+Studies+(2022),+Military+Balance+2022+Further+assessments), 15 February 2022, <https://www.iiss.org/blogs/analysis/2022/02/military-balance-2022-further-assessments>.

With these additional funds in the pipeline, the UK strengthened its capacity to be a leading member of NATO at a time when Russian threats to and interference in the politics of its neighbours were increasing dramatically. In addition to its role as a NATO Framework Nation, leading the NATO-allied force that has been forward deployed to Estonia, the UK committed in November 2021 to pre-position a brigade of tanks and armoured personnel carriers (comprising 250 machines plus supporting infrastructure) at the NATO base of Sennelager in Germany, only a year after the withdrawal of the vehicles – and the last permanent contingent of British troops – from the country.³³

The UK has also strengthened its commitment to the security of the geographic region encompassing the High North, North Atlantic and Baltic Sea. It contributed to the drafting of a Policy Direction for the Joint Expeditionary Force (JEF), which it founded in 2014 and continues to lead in its capacity as the relevant NATO Framework Nation. The JEF brings together NATO and non-NATO countries from across northern Europe: in addition to the UK, these comprise Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, the Netherlands, Norway and Sweden. The Policy Direction enhances the JEF's defence planning and coordination mechanisms by turning its ad hoc meetings of defence ministers into an annual meeting, to be supplemented by regular meetings of the permanent secretaries assigned to the JEF and their chiefs of defence staff.³⁴ The JEF has since begun joint patrols and training, including in the Baltic. Following Russia's invasion of Ukraine in February 2022, the UK hosted an in-person JEF leaders' summit in mid-March to help coordinate their response, to accompany regular crisis coordination among JEF defence ministers and national security advisers.

Alongside this regional European initiative, the UK and Germany agreed in June 2021 to establish a new annual bilateral strategic dialogue at foreign minister level, as part of a renewed commitment to bilateral coordination on a host of shared security priorities.³⁵ In October, the UK and Greece concluded a new strategic bilateral framework agreement whereby the two governments pledged to work together on issues of maritime security alongside other forms of economic and international cooperation.³⁶

One of the non-NATO European countries where the UK focused its defence efforts in 2021 was Ukraine. Even before Russia's military invasion, in February 2022, the UK had provided support to Ukraine's armed forces

³³ Haynes, D. (2021), 'British Army restructure sees hundreds of tanks and troops return to Germany after withdrawal less than a year ago', Sky News, 25 November 2021, <https://news.sky.com/story/british-army-restructure-sees-hundreds-of-tanks-and-troops-return-to-germany-after-withdrawal-less-than-a-year-ago-12478388>.

³⁴ Ministry of Defence (2021), 'Joint Expeditionary Force (JEF) – Policy direction', <https://www.gov.uk/government/publications/joint-expeditionary-force-policy-direction-july-2021/joint-expeditionary-force-jef-policy-direction>.

³⁵ Foreign, Commonwealth & Development Office (2021), 'UK-Germany joint declaration, June 2021: Joint Declaration by the Secretary of State for Foreign, Commonwealth and Development Affairs of the United Kingdom of Great Britain and Northern Ireland and the Federal Minister for Foreign Affairs of the Federal Republic of Germany', <https://www.gov.uk/government/publications/uk-germany-joint-declaration-june-2021/uk-germany-joint-declaration-june-2021>.

³⁶ Foreign, Commonwealth & Development Office (2021), 'Memorandum of understanding on: strategic bilateral framework between the Hellenic Republic and the United Kingdom of Great Britain and Northern Ireland', <https://www.gov.uk/government/publications/uk-greece-strategic-bilateral-framework-2021/memorandum-of-understanding-on-strategic-bilateral-framework-between-the-hellenic-republic-and-the-united-kingdom-of-great-britain-and-northern-irela>.

that surpassed the modest training support and sale of defensive equipment that it had instituted (under Operation Orbital³⁷) following Russia's annexation of Crimea and military intervention in eastern Ukraine in 2014–15. In June 2021, the government signed a memorandum of implementation to move forward the 2020 Naval Capabilities Enhancement Programme. This was designed to enable Ukraine's purchase of two refurbished Royal Navy minehunters; the sale and integration of missiles on new and in-service Ukrainian naval patrol and airborne platforms; the development and production of eight fast missile warships; and assistance in building new naval bases in the Black Sea and Azov Sea.³⁸

Following the build-up of Russian troops and equipment around Ukraine's borders later in 2021, the UK became one of only a few suppliers (other than the US and the Baltic states) to Ukraine of defensive military equipment including anti-tank weapons, with associated training being provided by UK military personnel.³⁹ As the threat of Russian military action grew, the UK became a key provider of intelligence, alongside the US, warning sceptical leaders in Ukraine and across Europe of the severity of the threat and the likelihood of a full-scale invasion. Since the start of the invasion, the UK has remained at the heart of the NATO response, strengthening its military presence in Estonia and supplying additional military equipment to Ukrainian forces, whose lightly armed infantry clearly benefited in the early weeks of the conflict from UK training on how to harass and degrade a more powerful enemy.

While the bulk of the UK's security effort has remained focused in Europe, in 2021 the government fulfilled its commitment, detailed in the Integrated Review, to increase its contribution to upholding a liberal international order in the Indo-Pacific. The most theatrical demonstration of this commitment was the deployment of a carrier strike group (CSG21) led by the new aircraft carrier HMS *Queen Elizabeth* – the UK's largest surface vessel – to the Indo-Pacific on a six-month tour in the second half of the year. The CSG21 deployment began by navigating through the Mediterranean, where the naval presence of both Russia and China has increased in recent years. At the same time, the destroyer HMS *Defender* sailed through the Black Sea, separately from the carrier group, but nevertheless challenging the maritime boundaries Russia had claimed following its illegal annexation of Crimea.⁴⁰

Although CSG21 was criticized – both on the grounds that the UK needed to supplement its aircraft with US planes, and for needing escort support from NATO allies – it demonstrated the UK's role as a hub for a multinational deployment of NATO allies to the Indo-Pacific, an increasingly contested region, thereby aiding improvements in joint contingency planning and testing out interoperability.

³⁷ Mills, C. (2022), *Military assistance to Ukraine 2014-2021*, Research Briefing, House of Commons Library, p. 2, <https://researchbriefings.files.parliament.uk/documents/SN07135/SN07135.pdf>.

³⁸ *Ibid.*, p. 4.

³⁹ Curtis, J. and Mills, C. (2022), *Military assistance to Ukraine since the Russian invasion*, Research Briefing, House of Commons Library, <https://researchbriefings.files.parliament.uk/documents/CBP-9477/CBP-9477.pdf>.

⁴⁰ BBC News (2021), 'HMS *Defender*: Russian jets and ships shadow British warship', 23 June 2021, <https://www.bbc.co.uk/news/world-europe-57583363>.

CSG21 also enabled the UK to deepen its bilateral relations with key allies in the Asia-Pacific and flesh out the government's 'tilt' to the Indo-Pacific region. The strike group conducted exercises with Japan's maritime and air Self-Defense Forces and US Forces Japan.⁴¹ In late September, the UK and Japan announced that they would negotiate a formal Reciprocal Access Agreement (RAA) to deepen the defence partnership between the two countries:⁴² this partnership has already been the means by which the British Army has become only the second national army (after that of the US) to train with Japanese forces on Japanese soil.⁴³

The 2021 deployment of a carrier strike group to the Indo-Pacific enabled the UK to deepen its bilateral relations with key allies in the Asia-Pacific and flesh out the government's 'tilt' to the region.

During their deployment, HMS *Queen Elizabeth* and CSG21 also entered waters off South Korea for joint training exercises with the latter's forces,⁴⁴ although plans for the strike group to call at the South Korean port of Busan were cancelled, principally for reasons related to the COVID-19 epidemic in the country.⁴⁵ However, at a meeting of British and South Korean defence chiefs in July, the two sides had agreed to formalize their channels for military consultation once the pandemic had begun to subside.⁴⁶

The most prominent step taken by the UK in 2021 to support Indo-Pacific security appeared to be its participation in the new defence and security partnership between the UK, the US and Australia (AUKUS) that was announced in September 2021. The partnership is both less and more than it appeared to be at the time. Less, in the sense that the advanced nuclear submarine capacity that the deal will offer Australia will take some two decades to materialize. More, in the sense that AUKUS extended to the defence industrial and technological realm the deep security relationship that the three countries already enjoyed in the area of intelligence, through the 'Five Eyes' alliance, and on military cooperation, as seen in the contexts of Afghanistan and Iraq. The AUKUS partnership aims to increase cooperation between the three

⁴¹ British Embassy Tokyo (2021), 'UK Carrier Strike Group flagship HMS Queen Elizabeth to arrive in Japan', press release, 3 September 2021, <https://www.gov.uk/government/news/uk-carrier-strike-group-flagship-hms-queen-elizabeth-to-arrive-in-japan>.

⁴² Ministry of Defence (2021), 'UK and Japan begin talks on deeper Defence relationship', 28 September 2021, <https://www.gov.uk/government/news/uk-and-japan-begin-talks-on-deeper-defence-relationship>.

⁴³ The 'Vigilant Isles' training exercise series establishes annual cooperation on training exercises between the British Army and the Japanese Ground Self-Defense Forces. Ministry of Defence, Foreign, Commonwealth & Development Office, The Rt Hon Dominic Raab MP and The Rt Hon Ben Wallace MP (2021), 'UK commits to deeper defence and security cooperation with Japan', press release, 3 February 2021, <https://www.gov.uk/government/news/uk-commits-to-deeper-defence-and-security-cooperation-with-japan>.

⁴⁴ Allison, G. (2021), 'British aircraft carrier arrives in Korean waters', UK Defence Journal, 31 August 2021, <https://ukdefencejournal.org.uk/british-aircraft-carrier-arrives-in-korean-waters>.

⁴⁵ Cotterill, T. (2021), 'Royal Navy aircraft carrier HMS Queen Elizabeth cancels visit to South Korea as North Korea rages about British warships' deployment', *Portsmouth News*, 26 August 2021, <https://www.portsmouth.co.uk/news/defence/royal-navy-aircraft-carrier-hms-queen-elizabeth-cancels-visit-to-south-korea-as-north-korea-rages-about-british-warships-deployment-3361126>.

⁴⁶ Yonhap via *Korea Herald* (2021), 'Defense chiefs of S. Korea, Britain agree to strengthen cooperation', 21 July 2021, <http://www.koreaherald.com/view.php?ud=20210721001045>.

countries on AI, quantum computing and cyber technologies. Additionally, as the UK–US ‘special relationship’ demonstrated throughout the period of the Cold War, sharing the most sensitive defence-related technologies can serve as an anchor for mutual trust and alignment in the field of military deployments and strategic commitments.

The announcement caused understandable fury in Paris – as it peremptorily cancelled out a previous \$37 billion deal between Australia and a French company for the supply of diesel-powered submarines, an arrangement that was meant to make Franco-Australian cooperation an anchor for France’s Indo-Pacific strategy. But the partnership was broadly welcomed in the region.⁴⁷ Japanese minister of foreign affairs Toshimitsu Motegi stated that he saw it as ‘strengthening engagement in the Indo-Pacific region’.⁴⁸ India greeted the announcement with approval,⁴⁹ as did Taiwan.⁵⁰ AUKUS will likely serve as the nucleus for an Anglo-Saxon security alliance in the Indo-Pacific that other regional allies of the US and Australia, including those that gather in the Quad format, will support – but which they are unlikely to consider joining unless the security threat from China increases significantly.

The UK has contributed, albeit in a minor way, to the layered security approach of the Biden administration’s ‘Asia Pivot 2.0’ – a pivot that will be far more meaningful than the one announced by the Obama administration at its outset.

In this sense, the UK has contributed, albeit in a minor way, to the layered security approach of the Biden administration’s ‘Asia Pivot 2.0’ – a pivot that will be far more meaningful than the one announced by the Obama administration at its outset. In addition to serving as a useful intermediary for a long-term strategic relationship between the US and Australia, the UK has ensured it will be a contributor to – as well as a beneficiary of – whatever defence industrial and technological innovations may emerge over the coming decades.

⁴⁷ Hurst, D. (2021), ‘Japan should work with Aukus on cybersecurity and AI, says Shinzo Abe’, *Guardian*, 19 November 2021, <https://www.theguardian.com/australia-news/2021/nov/19/japan-should-work-with-aukus-on-cybersecurity-and-ai-says-shinzo-abe>.

⁴⁸ Ministry of Foreign Affairs of Japan (2021), ‘Press Conference by Foreign Minister MOTEGI Toshimitsu, Tuesday, September 21, 2021, 10:39 a.m. Ministry of Foreign Affairs’, https://www.mofa.go.jp/press/kaiken/kaiken25e_000038.html.

⁴⁹ Raja Mohan, C. (2021), ‘India Welcomes AUKUS Pact as China Deterrent’, *Foreign Policy*, 16 September 2021, <https://foreignpolicy.com/2021/09/16/aukus-india-australia-uk-us-submarines>.

⁵⁰ Chung, R. and Hwang, C. (2021), ‘Taiwan Welcomes AUKUS Pact, Calls For Stronger Ties With Democracies’, *Radio Free Asia*, 17 September 2021, <https://www.rfa.org/english/news/china/taiwan-aukus-09172021085720.html>.

Supporting global resilience

2021 presented the UK with a number of opportunities to emphasize its commitment to enhancing global resilience. Overall, however, its record was mixed. There were notable diplomatic successes, but there was also a failure to follow through on some of the most important commitments in the Integrated Review.

In the same way as it had made good use of the opportunities offered by the G7 presidency, the Johnson government leveraged its co-chairmanship of the COP26 climate summit (in partnership with Italy) to broker a further step change in the international response to one of the most significant threats to global resilience. By most accounts, the COP26 summit held in Glasgow in November 2021 under the chairmanship of Alok Sharma, the full-time president for COP26 since January 2021, made important progress.⁵¹ In the lead-up to the summit, Sharma and his team, supported by John Kerry in the Biden administration, cajoled 143 parties to the Paris Agreement into submitting 116 new nationally determined contributions (NDCs)⁵² towards the Paris Agreement goal of keeping average global temperature increases to ‘well below’ 2°C (and preferably to 1.5°C) above pre-industrial levels.⁵³

At the Glasgow summit itself, the UK government helped bring several groups of countries together to make new sectoral commitments – some to protect their forests, others to cut methane emissions – that would contribute to achieving the Paris goals. In the Glasgow Climate Pact, all signatories committed to a ‘phasedown’ in their use of coal – the first ever specific reference to reducing fossil fuels in a COP commitment⁵⁴ – while China joined other major countries and all international financial institutions in ending the financing of new coal production internationally. Although the COP26 signatories failed to reach the target annual disbursement of \$100 billion in mitigation and adaptation support to developing countries in 2021, they managed just short of that figure, and undertook, in the Pact, to reach the pledged amount in 2023. The UK’s own commitment of \$11.6 billion between 2020 and 2025⁵⁵ is one of the highest when measured on a per capita basis. The challenge now is for the UK and other COP26 signatories to deliver on their pledges.

The UK also sought to continue playing a lead role in the global response to the pandemic during 2021. The UK started the year as the main funder of both Gavi – the Vaccine Alliance and the Coalition for Epidemic Preparedness Innovations (CEPI), having pledged an additional \$210 million to CEPI in March 2020 at the start of the COVID-19 pandemic and an additional \$270 million to UN and

⁵¹ *Financial Times* editorial board (2021), ‘COP26 has achieved more than expected but less than hoped’, *Financial Times*, 14 November 2021, <https://www.ft.com/content/fdbf574a-1294-4595-ab8a-ba11d42538d0>.

⁵² United Nations Climate Change (2021), ‘Updated NDC Synthesis Report: Worrying Trends Confirmed’, press release, 25 October 2021, <https://unfccc.int/news/updated-ndc-synthesis-report-worrying-trends-confirmed>.

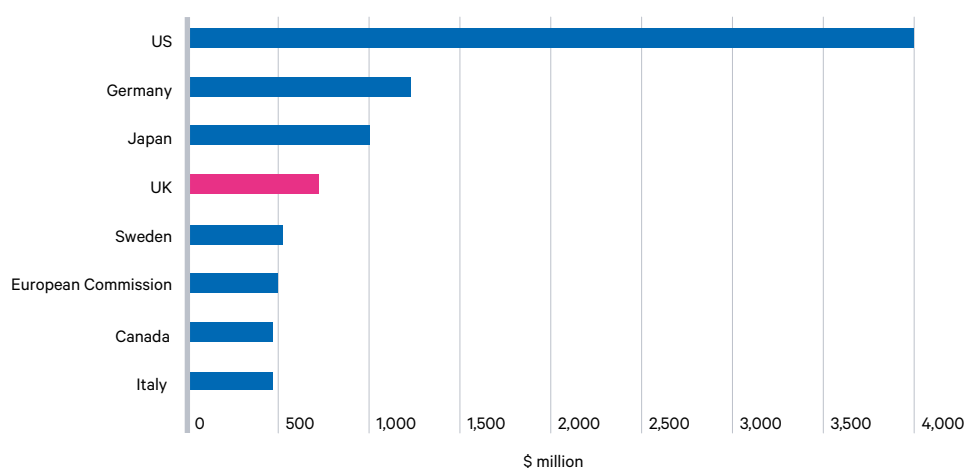
⁵³ *Financial Times* editorial board (2021), ‘COP26 has achieved more than expected but less than hoped’.

⁵⁴ Åberg, A. et al. (2021), *COP26: What happened, what does this mean, and what happens next?*, Summary analysis, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/11/cop26-what-happened-what-does-mean-and-what-happens-next>.

⁵⁵ Morris, C. (2021), ‘COP 26: How much are poor countries getting to fight climate change?’, BBC News Reality Check, 14 November 2021, <https://www.bbc.co.uk/news/57975275>.

bilateral health initiatives thereafter.⁵⁶ As at January 2022, the UK ranked fourth, behind the US, Germany and Japan, with total pledged donations to COVAX of \$731.4 million (see Figure 2).

Figure 2. Total donations pledged to COVAX at January 2022, leading governmental donors



Source: Gavi – the Vaccine Alliance (2022), ‘Covax AMC Donors’ Table’, <https://www.gavi.org/sites/default/files/covid/covax/COVAX-AMC-Donors-Table.pdf> (accessed 15 Jan. 2022).

During 2020–21, however, the UK government, like other developed countries, prioritized securing supplies of the vaccines for its own domestic needs, leaving COVAX, Gavi’s key delivery partner, unable to order and distribute meaningful numbers of vaccines against COVID-19 to the poorest countries around the world.⁵⁷ The Indian government compounded the problems for COVAX by, understandably, commandeering the bulk of vaccines prepared by the Serum Institute of India in response to the dramatic rise in Indian mortalities during mid-2021. Concerns over probes by regulators into reports of rare side-effects of the UK-developed Oxford University/AstraZeneca vaccine, which was due to serve as the COVAX vaccine of choice – given that it was being distributed at cost in CEPI – further undermined the role of the UK-developed vaccine.

In addition, the UK failed to secure more than a vague commitment from participating governments at the June 2021 G7 summit to donate 1 billion COVID-19 vaccines for use by low- and lower-middle-income countries over the next 12 months. Nor did this commitment include sufficient precision on the transfer of vaccine production technology or on tapping into excess domestic vaccine stocks. Knowledgeable commentators were scathing when the delivery of vaccines

⁵⁶ Woodcock, A. (2020), ‘Coronavirus: Britain now the largest contributor to international effort to find vaccine after £210m commitment’, *Independent*, 26 March 2020, <https://www.independent.co.uk/news/uk/politics/coronavirus-vaccine-boris-johnson-uk-donation-update-a9428566.html>; Department for International Development and The Rt Hon Anne-Marie Trevelyan MP (2020), ‘UK leads global fight to prevent second wave of coronavirus’, press release, 12 April 2020, <https://www.gov.uk/government/news/uk-leads-global-fight-to-prevent-second-wave-of-coronavirus>.

⁵⁷ Loft, P. (2022), *Covax and global access to Covid-19 vaccines*, House of Commons Library, <https://researchbriefings.files.parliament.uk/documents/CBP-9240/CBP-9240.pdf>.

to those regions most in need failed to materialize; by the end of 2021, only 3 per cent of people in low-income countries had been fully vaccinated, compared with 60 per cent in high- and upper-middle-income countries.⁵⁸

The UK government sought to pursue several of the other priorities listed under the global resilience agenda of the Integrated Review, especially in the area of girls' education, which Prime Minister Johnson had highlighted in his first UN General Assembly address in September 2019.⁵⁹ In May 2021, the UK announced a new global Girls' Education Action Plan, which laid out 'the steps needed to help meet the UK's targets to get 40 million more girls into school and 20 million more girls reading by the age of 10 by 2026'.⁶⁰

This and other aspects of the UK government's global resilience agenda were severely undermined, however, by its announcement in the November 2020 spending review that it was to reduce its official development assistance (ODA) budget by roughly 30 per cent, from 0.7 per cent of gross national income (GNI) to 0.5 per cent in 2021. Prior to 2021, the UK had committed more money in ODA as a proportion of its GNI than any other G7 country. After 2021, the UK fell back in the rankings as countries such as France increased their ODA spending towards the 0.7 per cent target.⁶¹

As a consequence, development spending was projected to fall by £3.4 billion in 2021 compared with the previous year, and by £4.1 billion compared with the 2019 peak of £15.2 billion.⁶² The cuts were applied mostly to priority areas listed under the Integrated Review's global resilience agenda, and therefore were in direct conflict with its objectives, even more so because of the impact the COVID-19 crisis was having on the societal well-being and finances of most developing countries and the livelihoods of their citizens. The damage was made all the worse by the decision to impose the cuts immediately, with no adjustment period, rather than phasing them in over time.

In addition, the government chose not to compensate for these cuts when opportunities arose. For example, the UK was criticized for counting part of its IMF cash holding towards its aid budget after changes were made to increase the amount of Special Drawing Rights available to all IMF members by \$650 billion.⁶³

⁵⁸ Banerjee, A. and Duflo, E. (2022), 'How to Prevent COVID's Next Comeback: Rich Countries Must Make Smarter Investments in Poorer Ones', *Foreign Affairs*, 21 January 2022, <https://www.foreignaffairs.com/articles/world/2022-01-21/how-prevent-covids-next-comeback>; Brown, G. (2021), 'A new Covid variant is no surprise when rich countries are hoarding vaccines', *Guardian*, 26 November 2021, <https://www.theguardian.com/commentisfree/2021/nov/26/new-covid-variant-rich-countries-hoarding-vaccines>.

⁵⁹ Prime Minister's Office, 10 Downing Street, Department for International Development, The Rt Hon Boris Johnson MP, and The Rt Hon Alok Sharma MP (2019), 'PM steps up UK effort to get every girl in the world into school', press release, 24 September 2019, <https://www.gov.uk/government/news/pm-steps-up-uk-effort-to-get-every-girl-in-the-world-into-school>.

⁶⁰ Prime Minister's Office, 10 Downing Street, Foreign, Commonwealth & Development Office, The Rt Hon Dominic Raab MP, and The Rt Hon Boris Johnson MP (2021), 'PM unveils new aid for girls education to prevent pandemic 'lost generation'', press release, 12 May 2021, <https://www.gov.uk/government/news/pm-unveils-new-aid-for-girls-education-to-prevent-pandemic-lost-generation>.

⁶¹ Donor Tracker (2022), 'France', <https://donortracker.org/country/france> (accessed 6 Mar. 2022).

⁶² For a chart showing the relative fall in UK ODA spending, see BBC News Reality Check (2021), 'Foreign aid: Who will be hit by the UK government cuts?', 8 November 2021, <https://www.bbc.co.uk/news/57362816>. For further reporting on the cuts, see BBC News (2021), 'Budget 2021: Foreign aid cuts to remain until at least 2024 - Sunak', 27 October 2021, <https://www.bbc.co.uk/news/uk-politics-59065697>.

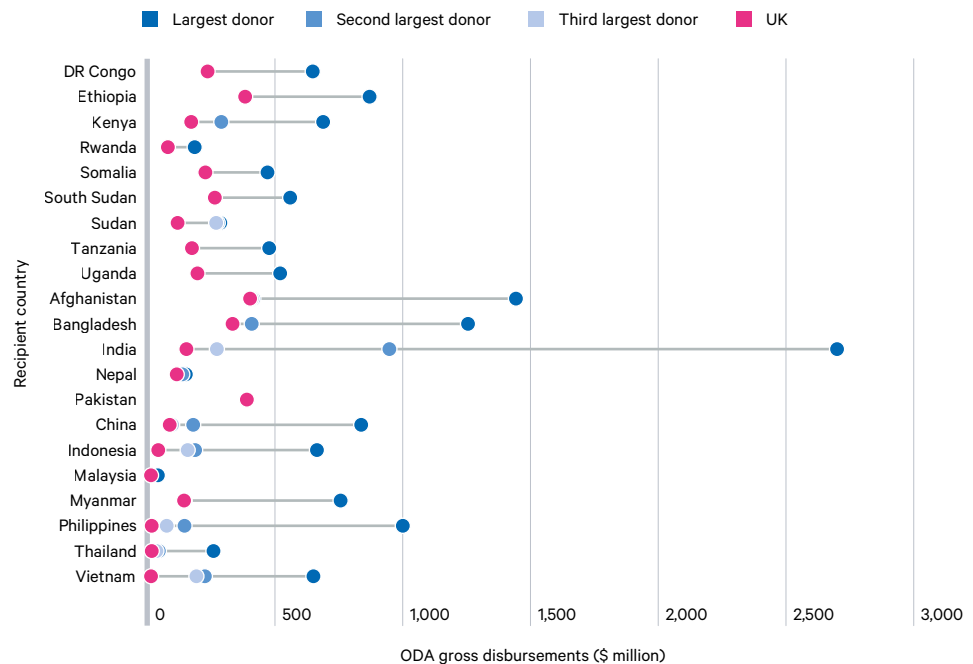
⁶³ Elliott, L. (2021), 'Rishi Sunak to save billions by counting IMF cash as aid for poor', 10 October 2021, <https://www.theguardian.com/politics/2021/oct/10/rishi-sunak-to-save-billions-by-counting-imf-cash-as-aid-for-poor>.

And a sizeable proportion of the new CDC/BII funding will go to middle-income countries’ infrastructure projects, rather than to support people in humanitarian crises and the world’s poorest communities. It was hard to say that this spending is instead supporting the government’s ‘network of liberty’, when some of its intended or agreed development partnerships are with countries that have attracted widespread criticism over their human rights records – including, for example, Qatar and Saudi Arabia⁶⁴ as well as Ethiopia, where the CDC invested in a telecommunications development project at a time when the Ethiopian government was being accused of human rights abuses against Tigrayans.⁶⁵

There was greater consistency in the government’s decision to use some of its ODA budget towards climate mitigation, as promised at the COP26 summit, and for providing vaccines. However, it appeared disingenuous to take credit for leading the rankings on COVID-19 prevention mechanisms while cutting back on ODA spending elsewhere.⁶⁶

The net effect of these decisions is that the UK is now at the lower end of the donor rankings in several of its priority countries on the resilience agenda, including in the Indo-Pacific, shown in Figure 3, which includes countries in East and Central Africa.

Figure 3. Comparative UK donor rankings in the Indo-Pacific by recipient country, July 2021



Source: Center for Global Development (2021), UK Indo-Pacific ODA Rank, 28 July 2021, using data from the OECD Creditor Reporting System, <https://public.flourish.studio/visualisation/6854726>.

⁶⁴ Worley, W. (2021), ‘UK seeks development partnerships with Gulf states’, Devex, 21 October 2021, <https://www.devex.com/news/uk-seeks-development-partnerships-with-gulf-states-101871>.

⁶⁵ Leigh Day (2021), ‘Tigrayan group in UK raises serious concerns about CDC investment in Ethiopia telecoms’, press release, 19 July 2021, <https://www.leighday.co.uk/latest-updates/news/2021-news/tigrayan-group-in-uk-raises-serious-concerns-about-cdc-investment-in-ethiopia-telecoms>.

⁶⁶ Ritchie, E., McDonnell, A. and Dissanayake, R. (2022), ‘The Vaccine Mark-Up: Counting More in ODA than We Paid for Vaccines is Illogical, Immoral, and Unpopular’, Center for Global Development, 7 February 2022, <https://cgdev.org/blog/vaccine-mark-counting-more-oda-than-we-paid-vaccines-illogical-immoral-and-unpopular>.

The cuts made by the UK government are also undermining specific priorities stated in the Integrated Review.⁶⁷ For example, the UK's highly respected Conflict, Stability and Security Fund lost nearly £500 million of what had been a £1.23 billion allocation in 2019/20.⁶⁸ The UK NGO Saferworld assessed in mid-2021 that programmes focused on conflict prevention in the Middle East and North Africa – regions whose instability carries some of the greatest direct risks to UK national security – accounted for over £300 million on the total cut.⁶⁹ This included a cut of 60 per cent in UK assistance to Yemen, which is suffering one of the world's worst humanitarian crises amid one of the world's most persistent armed conflicts.⁷⁰ By way of contrast, in 2021 the Biden administration asked Congress to increase US funding for conflict resolution and human rights protection by more than \$2 billion.⁷¹

The same broad pattern of failure to deliver on previous pledges applies to the UK's funding commitments in the area of improving global health, which saw severe cuts in 2021 despite the spillovers from the COVID-19 pandemic on health services in the world's poorest countries. Some 72 million people worldwide were expected to be deprived of planned treatment for neglected tropical diseases between October 2021 and April 2022 as a result of a £150 million – around 90 per cent – cut in UK funding, according to the NGO Sightsavers.⁷²

The UK also cut funding to tackle undernutrition by 70 per cent and made no new commitment at the Tokyo Nutrition for Growth summit in December 2021, despite having historically been a major donor to efforts to counter malnutrition.⁷³ Other donor governments pledged a total of more than \$15 billion, with G7 members Japan and the EU committing in the region of \$2.8 billion each.⁷⁴ In addition, the Malaria Consortium's programme in Nigeria was abruptly ended in 2021, three years early, despite Nigeria accounting for the largest proportion – 27 per cent – of global cases of malaria and 23 per cent of global deaths from the disease each year.⁷⁵ These and many other cuts, including to initiatives tackling tuberculosis and HIV/AIDS, have disproportionately affected countries in sub-Saharan Africa.⁷⁶

⁶⁷ Several of the given examples are drawn from Worley, W. (2022), 'Tracking the UK's controversial aid cuts', Devex, <https://www.devex.com/news/tracking-the-uk-s-controversial-aid-cuts-99883> (accessed 6 Mar. 2022).

⁶⁸ HM Government (2020), *Conflict, Stability and Security Fund: Annual Report 2019/20*, London: HMSO, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956538/FCDO0044_CSSF_Report_2019-20_v4.pdf.

⁶⁹ Saferworld (2021), 'Joint Conciliation Resources, International Alert and Saferworld statement on the impact of UK aid cuts on peacebuilding efforts and our partners around the world', 15 June 2021, <https://www.saferworld.org.uk/resources/news-and-analysis/post/965-joint-conciliation-resources-international-alert-and-saferworld-statement-on-the-impact-of-uk-aid-cuts-on-peacebuilding-efforts-and-our-partners-around-the-world>.

⁷⁰ Calleja, R., Hughes, S. and Cichocka, B. (2021), *Two Birds, One Budget: Using ODA for Influence and Development in the Indo-Pacific?*, Policy Paper, Center for Global Development, <https://www.cgdev.org/publication/two-birds-one-budget-using-oda-influence-and-development-indo-pacific>.

⁷¹ Saferworld (2021), 'Joint Conciliation Resources, International Alert and Saferworld statement on the impact of UK aid cuts on peacebuilding efforts and our partners around the world'.

⁷² Worley, W. (2022), '72 million people to miss treatment for NTDs due to UK aid cuts', Devex, 6 January 2022, <https://www.devex.com/news/72-million-people-to-miss-treatment-for-ntds-due-to-uk-aid-cuts-102393>.

⁷³ Worley, W. (2022), 'UK commits nothing at Nutrition for Growth Summit', Devex, 7 December 2021, <https://www.devex.com/news/uk-commits-nothing-at-nutrition-for-growth-summit-102283>.

⁷⁴ Ministry of Foreign Affairs of Japan (2021), *Tokyo Compact on Global Nutrition for Growth Annex: Commitments*, <http://www.mofa.go.jp/files/100275456.pdf>.

⁷⁵ Malaria Consortium (2021), 'UK-Nigeria foreign policy in 2021: Rhetoric vs reality', 22 July 2021, <https://www.malariaconsortium.org/blog/uk-nigeria-foreign-policy-in-2021-rhetoric-vs-reality>.

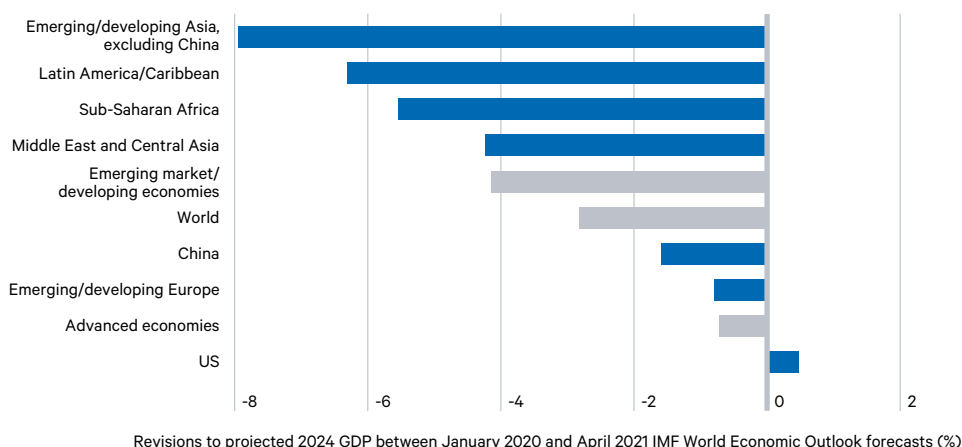
⁷⁶ The Integrated Review states, in the section on ODA: 'We will maintain our commitment to Africa, with a particular focus on East Africa and on important partners such as Nigeria'. HM Government (2021), *Integrated Review*, p. 46.

Even spending on education for girls and young women around the world, one of the signature priorities for the Johnson government, saw radical cuts amounting to some £183 million from programmes across South Asia and sub-Saharan Africa, including those in Bangladesh, Afghanistan, Nigeria and Rwanda.⁷⁷

On balance, therefore, the UK government offered far more mixed messages about its commitment to global resilience than it did on the topic of international security in 2021. Whereas the government followed up its 2020 commitment of an extra £4 billion in annual defence spending with complementary diplomacy and military deployments, its constructive diplomatic efforts around combating climate change and the COVID-19 pandemic were accompanied by a roughly £4 billion per year cut to development and humanitarian assistance that will exacerbate the weakening of governance and stability in large swathes of the most vulnerable regions of the world.

This sets up a major challenge for the future. 2022 started – before the Ukraine crisis – with strong GDP recovery rates in the OECD, including in the UK, but growing divergence between these economies and those poorer countries that are the most vulnerable to the global challenges of climate change and weak healthcare systems. As noted in a July 2021 blog post for the World Bank, countries where over half of the population live on less than \$1.90 a day experienced their slowest growth rates in 2021 in more than two decades, except for 2020, the first year of the pandemic.⁷⁸ In contrast, growth rates across the OECD averaged 6 per cent in 2021.⁷⁹ The spillovers from COVID-19 will increase the divergence in economic prosperity and societal well-being between the richest and poorest countries in the world (see Figure 4).

Figure 4. Projected shortfalls in GDP in 2024, in comparison with pre-pandemic IMF projections, selected economies at April 2021



Source: International Monetary Fund (2021), *World Economic Outlook: April 2021*, Report, <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>.

⁷⁷ Worley (2021) ‘Tracking the UK’s controversial aid cuts’. See also Ahmed, K. (2022), ‘UK accused of ‘betraying’ women as leaked report warns of aid cut impacts’, *Guardian*, 9 March 2022, <https://www.theguardian.com/global-development/2022/mar/09/uk-accused-of-betraying-women-as-leaked-report-warns-of-aid-cut-impacts>.

⁷⁸ Gill, I. and Nishio, A. (2021), ‘The global recovery is bypassing the poorest countries’, World Bank blog, 14 July 2021, <https://blogs.worldbank.org/voices/global-recovery-bypassing-poorest-countries>.

⁷⁹ OECD (2022), *Economic Outlook Volume 2021*, https://www.oecd-ilibrary.org/economics/oecd-economic-outlook_16097408#:~:text=Economic%20growth%20is%20projected%20to,the%20main%20driver%20of%20growth (accessed 15 Mar. 2022).

Promoting the national economic agenda

One of the most important domestic measures of success for the Integrated Review was securing new economic benefits for British citizens. This was always going to prove difficult.

During 2021, new barriers to the trade in goods and services between the UK and the EU came into force, following the government's decision to exit entirely from the European Single Market and Customs Union under the terms of the Trade and Cooperation Agreement (TCA) that it had signed with the EU. Given that, in 2020, the EU had accounted for 42 per cent of British exports and 50 per cent of its imports, this loss of preferential access imposed major new barriers to exports of UK services and a severe increase in the amount of paperwork required to export to and import from the EU. It also became necessary to ensure that UK exports to the EU carry at least 55 per cent 'local' content, without which they would be ineligible for the tariff-free status agreed under the TCA.⁸⁰

Across all advanced economies, the volume of goods exports is now 5 per cent ahead of pre-pandemic levels, whereas UK exports are still more than 10 per cent lower.

The negative near-term impacts of this change in status are already clear to see. The COVID-19 pandemic led to an overall decline in global trade in 2020. As governments worldwide adapted their efforts to the virus's new mutations and rolled out a vaccine programme to mitigate its worst impacts, supply chains struggled to meet increased demand in the second half of 2021, and bottlenecks disrupted the return to growth. Nevertheless, UK goods exports, which remain heavily dependent on access to the EU market, have seriously lagged behind other advanced economies since the end of the Brexit transition period. Across all advanced economies, the volume of goods exports is now 5 per cent ahead of pre-pandemic levels, whereas UK exports are still more than 10 per cent lower.⁸¹

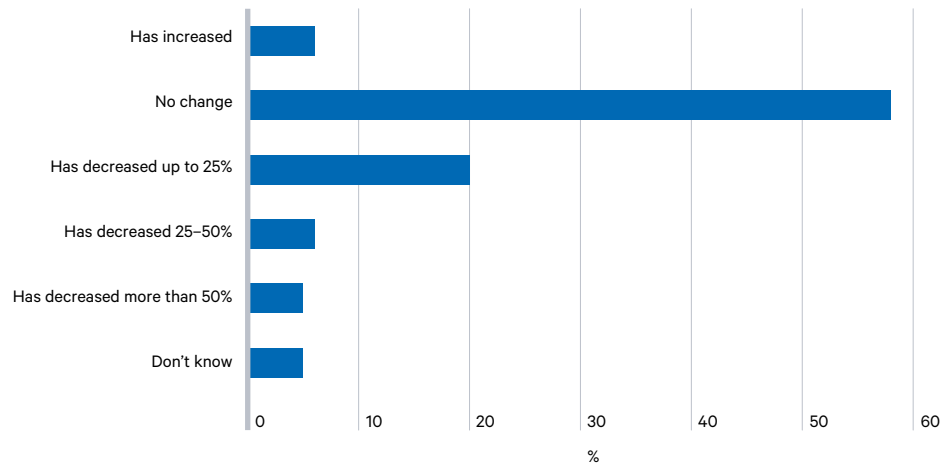
At the macro level, many of the largest UK-based companies appeared to be adjusting to the new trading regime with the EU; or, at least, not to have undertaken any major initiatives to relocate their operations. However, at the micro level, there were regular and widespread reports of small and medium-sized UK businesses struggling to meet the burdens of the new system, and choosing either to move their production and jobs to the EU or to reduce activity and headcount while they sought to find new avenues of growth.⁸²

⁸⁰ Ward, M. (2021), 'Statistics on UK-EU trade', Briefing Paper, House of Commons Library, 3 December 2021, <https://commonslibrary.parliament.uk/research-briefings/cbp-7851>.

⁸¹ Romei, V. (2022), 'Brexit blamed as UK misses out on global trade rebound', *Financial Times*, 25 March 2022, <https://www.ft.com/content/021c629d-5853-4111-9600-ab5f0eb65a35>.

⁸² Results of a survey conducted in June 2021 on behalf of the *Financial Times* indicated that nearly one-third of UK companies trading with the EU had suffered a decline or loss of business since post-Brexit rules took effect on 1 January 2021: 'The survey, carried out by the Institute of Directors, also found that 17 per cent of UK companies that previously traded with the EU have stopped — either temporarily or permanently — since the start of the year.' See Thomas, D. and Foster, P. (2021), 'Six months in and UK businesses are still battling with Brexit', *Financial Times*, 27 June 2021, <https://www.ft.com/content/eadc7c23-2125-4381-93ae-a54104e5ccc7>.

Figure 5. Impact of Brexit trade barriers on UK businesses, June 2021



Source: Institute of Directors (2021), 'The impact of Brexit, six months on', press release, 29 June 2021, <https://www.iod.com/news-campaigns/news/articles/iod-The-impact-of-Brexit-six-months-on>.
Note: Percentage of 311 respondents to the question: To what extent have new barriers to trade introduced since January 1 caused a decline/loss in your organization's trade with the EU? (Comparing January-June 2021 trade relative to the January-June pre-pandemic norm). Survey was carried out in June 2021.

As shown in Figures 6 and 7, UK exports to the EU fell dramatically even while the UK could still trade barrier-free with the EU, as the impact of the COVID-19 pandemic hit Europe. They then bounced back as EU governments and societies responded to the pandemic. But – with the UK now out of the European Single Market – UK-EU trade has not returned to its 2018/19 level. EU-based companies also appear to be struggling with the new TCA system. The UK's imports from the EU fell precipitously in the early months of the pandemic and have not recovered since. From January 2021, imports from the EU were overtaken by imports from non-EU countries – above all from China, which led initially with supplies of personal protective equipment (PPE) during the COVID-19 pandemic and then helped to meet growing demand for consumer goods fuelled by the extended UK lockdowns.

Figure 6. UK exports by destination (EU/non-EU), selected monthly totals, 2018–21

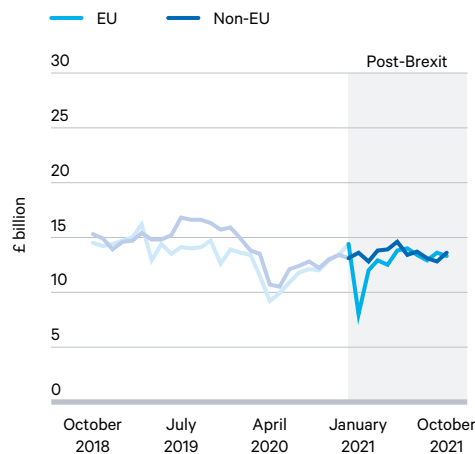
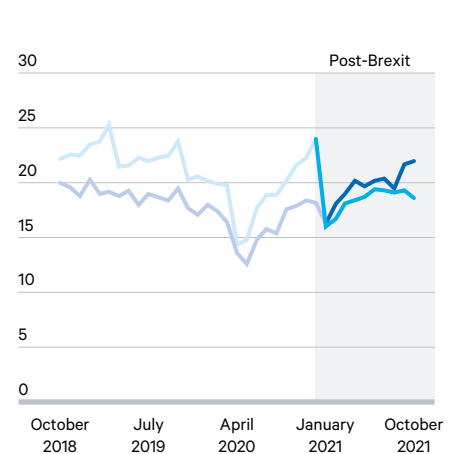


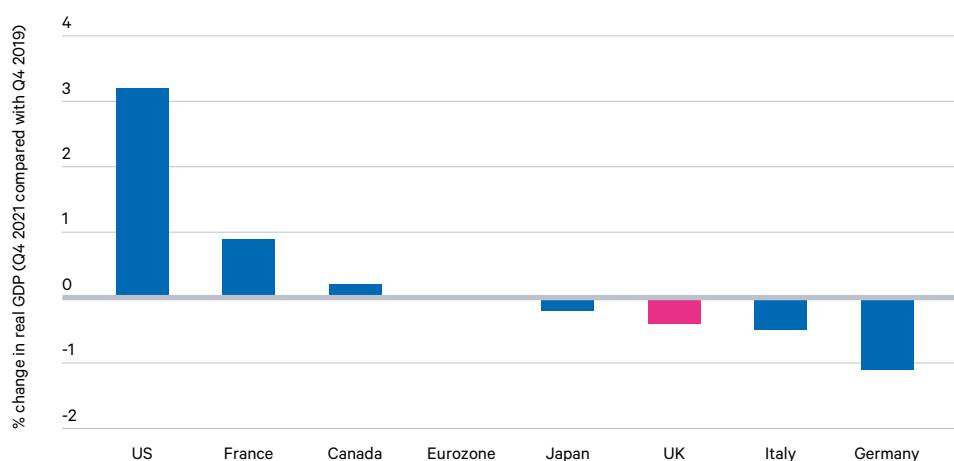
Figure 7. UK imports by origin (EU/non-EU), selected monthly totals, 2018–21



Source: Office for National Statistics (undated), 'International trade', <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade> (accessed 15 Mar. 2022).

It is too early to make a definitive assessment of how the UK's exit from the European Single Market and Customs Union will affect the economy in the longer term. During 2021, the UK's recovery from the worst effects of the pandemic-induced lockdowns put it below the middle of the pack compared with the other G7 countries: the UK has fared worse than the US, France, Canada, the eurozone and Japan, but better than Italy and Germany.⁸³

Figure 8. Rates of post-COVID-19 economic recovery in G7 countries and eurozone, 2019/2021



Source: Harari, D. (2022), 'GDP – International Comparisons: Key Economic Indicators', House of Commons Library, 10 March 2022, <https://commonslibrary.parliament.uk/research-briefings/sn02784>.
Note: Percentage change in real GDP between Q4 2019 and Q4 2021.

What is clear, however, is that the government settled on a dual-track response to the UK's new economic circumstances, reflecting the Integrated Review's priorities of making the UK one of the most innovative economies in the world and of expanding its trading footprint beyond Europe to the world's more dynamic emerging markets.

The UK as a regulatory innovator

A top priority of the Integrated Review is to focus on new opportunities for regulatory reform, which are now possible after the UK has left the EU. The government's objective is to use such reforms to fuel domestic economic dynamism, to attract more foreign investment, and to drive towards the Integrated Review's goal of the UK becoming a science and technology superpower. The main focal areas are the new technological domains of financial technology (fintech), biotechnology and digital services with heavy data usage.

⁸³ Giles, C. (2022), 'The true and fair economic outlook is pretty grim', *Financial Times*, 3 February 2022, <https://www.ft.com/content/6866cc83-358e-48ba-848d-b9bee7bc156e>.

For example, on fintech, the Treasury and the Bank of England (BoE) have set up a joint taskforce to explore the idea of establishing a BoE-issued digital currency or ‘Bitcoin’.⁸⁴ Meanwhile, the Financial Conduct Authority (FCA) is encouraging what it describes as ‘open banking’, allowing banks to more easily share personal financial data with other providers, thereby reducing the burden of reauthentication requirements.⁸⁵ The FCA is also offering a lighter regulatory environment for early-stage fintech firms to grow, allowing them to pass through a so-called regulatory ‘sandbox’ into a ‘scalebox’.⁸⁶

These initiatives build on the approach laid out by BoE governor Andrew Bailey in February 2021, when he stated that the UK would not be held back by concerns about EU equivalence if he concluded that regulatory modernization would best serve the country’s interests as a domestic and international financial centre. His intent is to provide ‘dynamic supervision’, rather than trying to create what some have called a ‘Singapore-on-Thames’. For example, on the one hand, the BoE will allow lighter-touch rules for small banks looking to expand their market presence than allowed under the EU’s interpretation of the Basel Framework. But, on the other, it will take a stricter line than the EU on the inclusion of intangible assets such as proprietary software owned by banks when assessing banks’ capital.⁸⁷

On biotechnology, the Department for Environment, Food and Rural Affairs is consulting on how to follow through on Prime Minister Johnson’s call to ‘liberate the UK’s extraordinary bioscience sector from anti-genetic modification rules’.⁸⁸ This implies, for example, a British push to develop blight-resistant crops, both to make them more resilient for domestic use and to enhance the UK’s contribution to efforts to deal with the impacts of climate on the world’s poorest countries and the spread of new pests on their agricultural productivity.⁸⁹

On digital technology, the government published a new AI strategy in September 2021 and launched a joint programme by the Office for AI and UK Research & Innovation, aimed at accelerating AI innovation in London and the southeast of the country.⁹⁰ The government has invested significant funds into the AI sector (totalling more than £2.3 billion since 2014) and is trying to coordinate other national assets in its support, including launching a consultation led by the Intellectual Property Office on copyright and patents for AI.⁹¹

⁸⁴ Srivastava, A., Moffatt, N. and Burkov, K. (2021), ‘U.K. FinTech and Financial Services - Bitcoin to the Scalebox; the U.K. Government Announces Plans to Boost the FinTech Sector and to Develop a Digital Pound’, Paul Hastings, 29 April 2021, <https://www.paulhastings.com/en-GB/insights/client-alerts/u-k-fintech-and-financial-services-bitcoin-to-the-scalebox-the-u-k>.

⁸⁵ HM Government (2022), *The Benefits of Brexit: How the UK is taking advantage of leaving the EU*, London: HM Stationery Office (HMSO), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1054643/benefits-of-brexite.pdf.

⁸⁶ Ibid; See also Srivastava, Moffatt and Burkov (2021), ‘U.K. FinTech and Financial Services - Bitcoin to the Scalebox’.

⁸⁷ Bailey, A. (2021), ‘The case for an open financial system - speech by Andrew Bailey’, Bank of England, 19 February 2021, <https://www.bankofengland.co.uk/speech/2021/february/andrew-bailey-mansion-house>.

⁸⁸ Kelly, E. (2021), ‘UK sets out to diverge from EU rules on genetically modified organisms’, *Science Business*, 7 January 2021, <https://sciencebusiness.net/news/uk-sets-out-diverge-eu-rules-genetically-modified-organisms>; Food Standards Agency (2021), *Comparing international approaches to food safety regulation of GM and Novel Foods*, 20 April 2021, <https://doi.org/10.46756/sci.fsa.rdg239>.

⁸⁹ Stokstad, E. (2021), ‘U.K. set to loosen rules for gene-edited crops and animals’, *Science*, 26 May 2021, <https://www.science.org/content/article/uk-set-loosen-rules-gene-edited-crops-and-animals>.

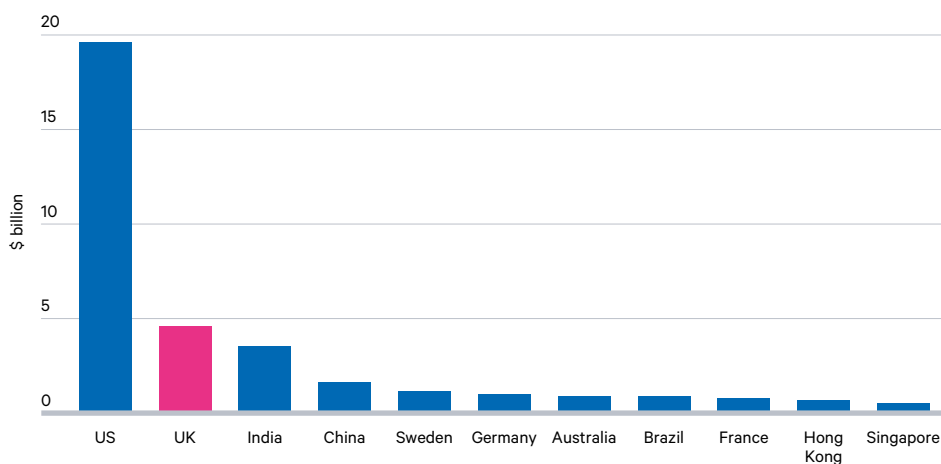
⁹⁰ Department for Digital, Culture, Media & Sport and Chris Philp MP (2021), ‘New ten-year plan to make the UK a global AI superpower’, press release, 22 September 2021, <https://www.gov.uk/government/news/new-ten-year-plan-to-make-britain-a-global-ai-superpower>.

⁹¹ Ibid.

At the heart of this strategy is a determination to keep regulation ‘to a minimum’, so as to create a ‘pro-innovation’ environment.⁹² One example of the contrast between this and the EU’s more cautious approach is the UK’s openness to weakening or scrapping the EU law it has so far abided by that prohibits the use of algorithm-led decision-making without human oversight.⁹³

The results of the UK’s regulatory approach appear to be paying off from the government’s perspective, as illustrated in Figures 9–11. The UK is the third most popular location worldwide for venture capital investment after the US and China, is by far Europe’s leading nation for start-ups and ‘scale-ups’ (especially in fintech), and was in the lead globally – ahead of the US and Germany – in terms of the rate of growth in so-called ‘deep tech’ investment (which includes AI and robotics).⁹⁴

Figure 9. Venture capital investment in fintech companies, 2020, by country of destination



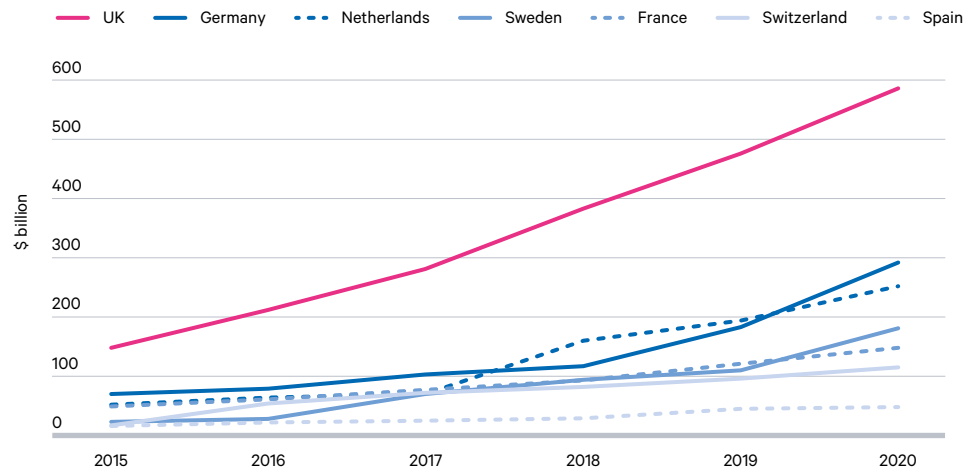
Source: Tech Nation (2021), *The future UK tech built*, Report, <https://technation.io/report2021/#key-statistics> (accessed 6 Mar. 2022).

⁹² Heikkilä, M. (2021), ‘UK charts post-Brexit path with AI strategy’, Politico, 22 September 2021, <https://www.politico.eu/article/uk-charts-post-brexit-path-with-ai-strategy>.

⁹³ Foster, P., Murgia, M. and Espinoza, J. (2021), ‘UK suggests removing human review of AI decisions in data protection laws’, *Financial Times*, 9 September 2021, <https://www.ft.com/content/519832b6-e22d-40bf-9971-1af3d3745821>.

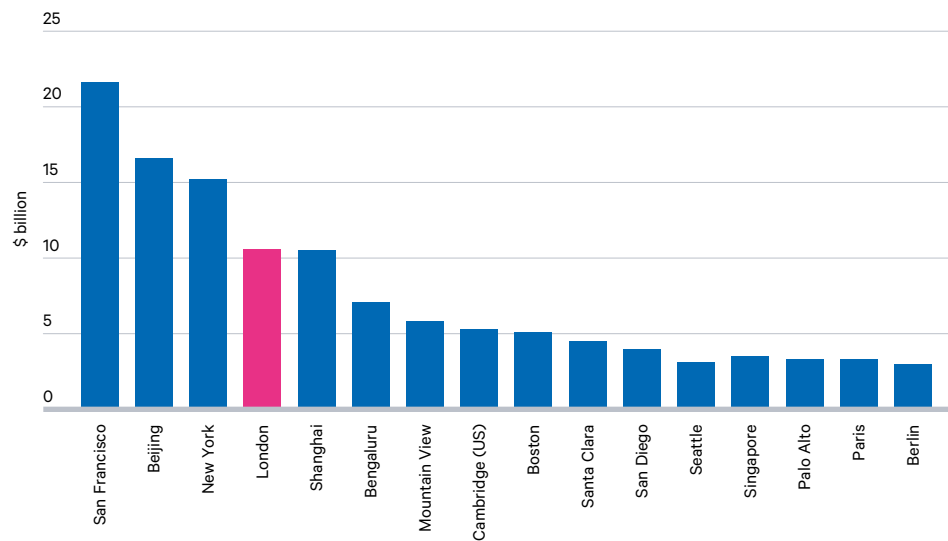
⁹⁴ Tech Nation (2021), *The future UK tech built*, Report, <https://technation.io/report2021/#key-statistics> (accessed 6 Mar. 2022). See also Barnes, M. and David, M. (2021), ‘Spotlight: European Fintech Occupier Outlook 2022’, Savills, 2 December 2021, https://www.savills.com/research_articles/255800/321995-0. 13 of the 20 largest European fintech funding rounds in 2021 were for UK-based companies: see Degeler, A. (2021), ‘A taste of money: The 20 biggest European fintech rounds in 2021’, Tech.EU, 28 December 2021, <https://tech.eu/2021/12/28/a-taste-of-money-the-20-biggest-european-fintech-rounds-in-2021>. According to CB Insights, 11 of their top 20 ‘Fintech 250’ companies are UK-based. See CB Insights (2021), ‘The Fintech 250: The Top Fintech Companies Of 2021’, 5 October 2021, <https://www.cbinsights.com/research/report/fintech-250-startups-most-promising>.

Figure 10. Value of tech start-up and scale-up ecosystems, 2015–20, selected European economies



Source: Tech Nation (2021), *The future UK tech built*, Report, <https://technation.io/report2021/#key-statistics> (accessed 6 Mar. 2022).

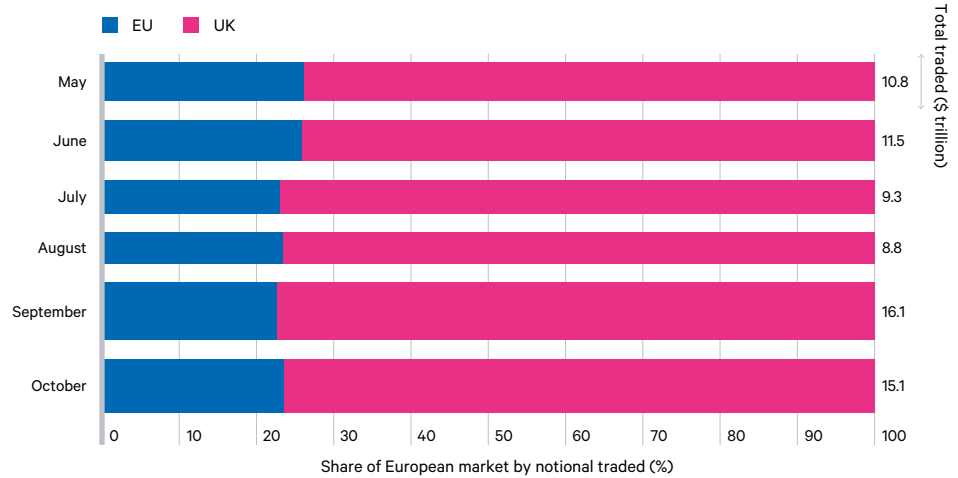
Figure 11. Venture capital investment in tech companies by city, 2020



Source: Tech Nation (2021), *The future UK tech built*, Report, <https://technation.io/report2021/#key-statistics> (accessed 6 Mar. 2022).

The UK has also maintained its position as one of the world’s leading and most innovative financial centres, despite some worrying warning signs for the future. On the positive side, London retains its lead on European derivatives trading (see Figure 12).

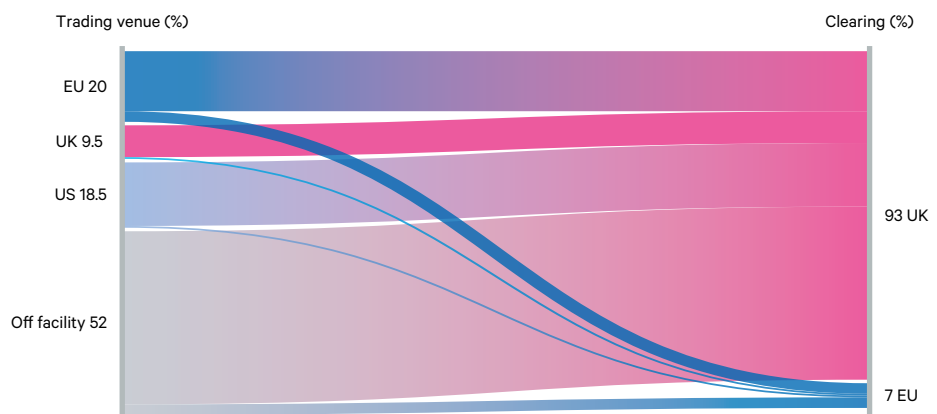
Figure 12. Interest rate derivatives traded in the EU and UK markets, October 2021



Source: International Swaps and Derivatives Association (2021), 'Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: October 2021', <https://www.isda.org/a/sn6gE/Interest-Rate-Derivatives-Trading-Activity-Reported-in-EU-UK-and-US-Markets-Oct-2021.pdf>, cited in Fleming, S., Stafford, P. and Noonan, L. (2022), 'The EU vs the City of London: a slow puncture', *Financial Times*, 10 January 2022, <https://www.ft.com/content/f83ddf05-e7a1-4c9b-83ad-e82a54c71afa>.

'Clearing' of Euro-denominated transactions is an area that the EU has long sought to wrest away from London and bring under the supervisory remit of EU institutions. To date, banks have resisted shifting clearing to locations within the eurozone, given the huge amounts of capital involved and the cost savings involved in concentrating this activity in one location with a large, deep and liquid market such as London. The EU recently extended its June 2022 deadline to move euro-denominated clearing to EU-based financial centres by three years,⁹⁵ but at some point this change will start to take effect.

Figure 13. Trading and clearing flow of euro interest rate swaps, by notional traded, Q2 2021

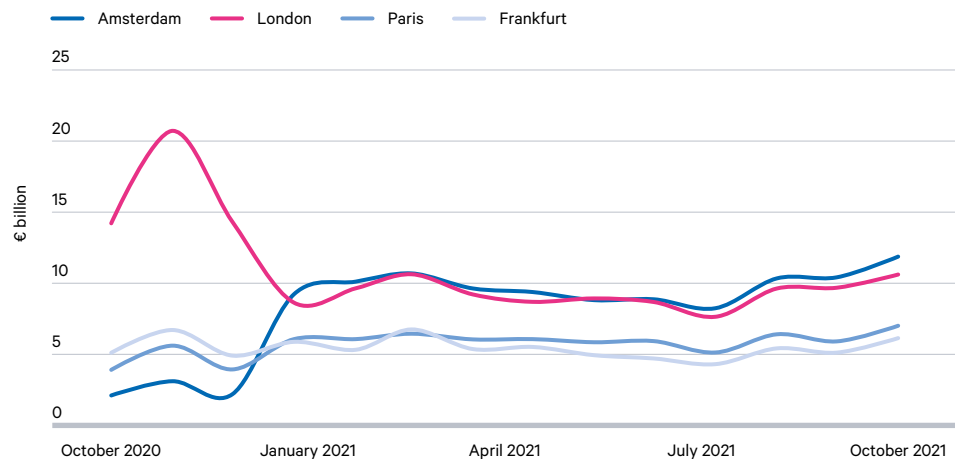


Source: European Capital Markets Institute/OSTTRA (2021), *Financial Times* (2021), cited in Fleming, S., Stafford, P. and Noonan, L. (2022), 'The EU vs the City of London: a slow puncture', *Financial Times*, 10 January 2022, <https://www.ft.com/content/f83ddf05-e7a1-4c9b-83ad-e82a54c71afa>.

⁹⁵ Fleming, S. (2022), 'Brussels aiming to move derivatives clearing from London to EU', *Financial Times*, 8 February 2022, <https://www.ft.com/content/b8b24d99-2190-4b42-83ea-43b68e5c5823>.

A more immediate worry is London’s loss at the end of 2020 – after the Brexit transition period ended – of its position as the leading European centre for equities.⁹⁶ It is now second to Amsterdam, which has held a consistent (but small) lead over London since mid-2021, as shown in Figure 14. It is notable, however, that neither Paris nor Frankfurt has managed to capitalize on London’s demise.

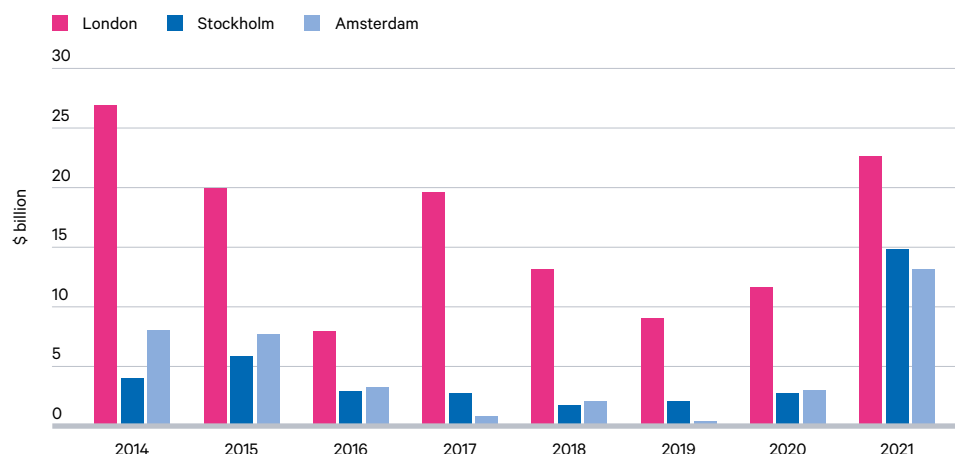
Figure 14. Average daily value of equity trading in major financial centres, 2020–21



Source: CBOE Europe (2021), cited in Fleming, S., Stafford, P. and Noonan, L. (2022), ‘The EU vs the City of London: a slow puncture’, *Financial Times*, 10 January 2022, <https://www.ft.com/content/f83ddf05-e7a1-4c9b-83ad-e82a54c71afa>.

In terms of stock market listings, the picture is more mixed. London remains dominant in Europe, but, as Figure 15 illustrates, Stockholm and Amsterdam began to rival London for the leading position in initial public offerings (IPOs) during 2021.

Figure 15. Value of initial public offerings 2014–21 in London, Stockholm and Amsterdam



Source: Gopinath, S. (2021), ‘London Holds On to Europe IPO Crown as Rival Venues Close In’, *Bloomberg*, 16 December 2021, <https://www.bloomberg.com/news/articles/2021-12-16/london-holds-on-to-europe-ipo-crown-as-rival-venues-close-in>.

⁹⁶ Between 2005 and 2020, the London Stock Exchange’s share of global equity values has fallen from 8.5 per cent to 3.6 per cent. Since January 2015, the FTSE 100 has gained about 13 per cent, while America’s S&P 500 has risen about 130 per cent. See *Financial Times* (2022), ‘How to revive London’s flagging stock market’, 7 January 2022, <https://www.ft.com/content/b8b24d99-2190-4b42-83ea-43b68e5c5823?shareType=nongift>.

Reflecting the relatively immature position of all European financial centres compared with the US, the UK hosted two unsuccessful tech IPOs in 2021 (Alphawave IP and Deliveroo). But it also held successful IPOs of two UK-based tech (or tech-adjacent) companies, Moonpig and Wise. (The latter's valuation of \$11 billion made it the most valuable tech IPO ever on the London Stock Exchange.)⁹⁷ Following a change in FCA regulations, the UK also attracted its first-ever special purpose acquisition company (SPAC) in November 2021.⁹⁸ But, as with IPOs, London remains far behind the US in the use of SPACs to finance mergers and acquisitions. Although 2021 was London's strongest year for IPO capital-raising since 2007, between 2015 and 2020 London accounted for only 5 per cent of IPOs worldwide.

So far, therefore, the impact of the UK's exit from the European Single Market on the financial sector has not been as bad as previously feared. The number of Brexit-related job relocations by banks away from the UK was projected at just under 7,400,⁹⁹ which is a very small proportion of the 1.1 million estimated to work in the UK financial sector overall.¹⁰⁰

The question is whether the UK can sustain these comparative advantages through the size of its market, by making considered changes to its regulatory environment and by taking advantage of the relatively slow pace of change in the EU. Or whether there will be a slow decline, partly due to new frictions created by regulatory divergence and partly due to potential struggles to attract new human talent at the same rate as before Brexit, when free movement across the EU made the UK a magnet for European entrepreneurs.¹⁰¹

There is also a big difference between the UK striking out on its own in areas where it already has scale and comparative advantage, and those where the relatively small size of its domestic market could act as a drag. Space is a case in point: the UK has one of the most innovative and respected space sectors in the world, and the government has made success in that area one of its top priorities.¹⁰² Developing the space sector can also contribute to the government's 'levelling up' agenda, given the diverse geography of much of the sector's research, development and production capacity, as well as to underpinning future high-value economic activity and critical areas of national security.¹⁰³ But the resources at the UK's disposal to pursue this agenda are relatively small (see Figure 16).

⁹⁷ Ramnarayan, A. and Adinarayan, T. (2021), 'Wise valued at \$11 billion in record London direct listing', Reuters, 7 July 2021, <https://www.reuters.com/business/wise-shares-indicated-open-10-bln-valuation-auction-2021-07-07>.

⁹⁸ Thomas, D. (2021), 'London attracts first Spac after rule change', *Financial Times*, 23 November 2021, <https://www.ft.com/content/6c3de8fa-2c9f-4748-9199-616fb3af83d1>.

⁹⁹ *Financial Times* (2022), 'City of London/Brexit: job market is buoyant but relocations impend', 8 January 2022, <https://www.ft.com/content/f2466bab-d376-4d3d-a753-aa9526174917>.

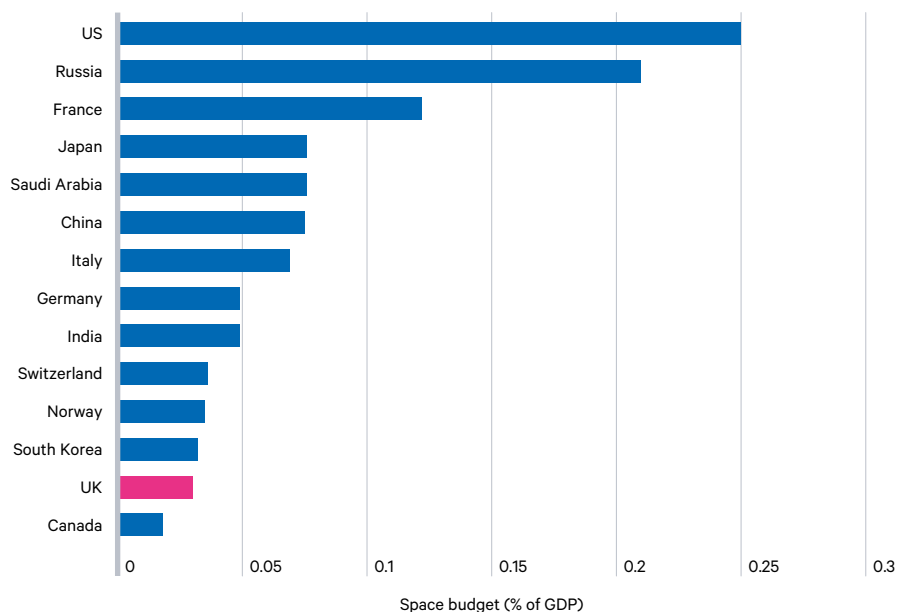
¹⁰⁰ The City UK (2020), *Key Facts About UK-Based Financial and Related Professional Services*, Report, April 2020, <https://www.thecityuk.com/assets/2020/Reports/05a3382368/Key-facts-about-UK-based-financial-and-related-professional-services-2020.pdf>.

¹⁰¹ Thomas, H. (2021), 'Brexit is a slow bleed for the City of London', *Financial Times*, 23 November 2021, <https://www.ft.com/content/218e34b3-3e3e-4655-920e-a475862a9d21>.

¹⁰² HM Government (2021), *National Space Strategy*, London: HMSO, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034313/national-space-strategy.pdf.

¹⁰³ Ministry of Defence (2022), *Defence Space Strategy: Operationalising the Space Domain*, London: HMSO, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1051456/20220120-UK_Defence_Space_Strategy_Feb_22.pdf.

Figure 16. Government space budgets, 2020, selected G20 members



Source: OECD (2021), 'Space Economy for People, Planet and Prosperity – OECD paper for the G20 Space Economy Leaders' Meeting, Rome, Italy 20-21 September 2021', September 2021, <https://www.oecd.org/sti/innospace-forum/space-economy-for-people-planet-and-prosperity.pdf>.
Note: UK figures include contributions to the European Space Agency.

As a comparatively small player in a sector that requires huge capital investment, the UK will be most successful if it leverages its continued membership of the European Space Agency and works closely with the EU and its member states.

Pursuing the UK's new trade agenda

As with its approaches to regulation and innovation, the UK has sought to compensate for the new frictions in its economic relationship with the EU by expanding trading relationships elsewhere in the world. But turning the likely long-term decline in UK–EU trade into a relative gain in trade elsewhere is going to be a very tall order, notwithstanding the greater economic dynamism and growth prospects of many emerging markets. Physical distance continues to be a major determinant of the patterns of global trade, whether in goods or in services.

Nevertheless, the government took to the task with gusto. The priority during 2021 was to 'roll over' the deals that the UK formerly enjoyed as an EU member. It succeeded in doing so, finalizing agreements with all 63 countries and regional blocs, from Canada to the Southern African Customs Union.¹⁰⁴ Beyond this, the UK struck a new agreement with Japan, which included some important innovations whereby the UK offered greater access to its car market in return for a new set of liberalizations on bilateral trade in digital services.

¹⁰⁴ Edgington, T. (2021), 'Brexit: What trade deals has the UK done so far?', BBC News, 21 October 2021, <https://www.bbc.co.uk/news/uk-47213842>.

The government went beyond this at the end of February 2022 by concluding a first digital economy agreement with Singapore, opening new areas for bilateral digital services trade.¹⁰⁵ It has also negotiated a new chapter on financial services in its agreement with Switzerland, which adds the sort of mutual recognition of financial regulations that the EU refused to concede in its negotiations on the TCA.

The UK's profile as a global trader is starting to resemble that of other mid-sized advanced economies, such as Australia, Canada and Japan, whose needs drive a more proactive trade agenda than those of the EU or the US.

The government also demonstrated opportunism in its trade agenda. It quickly completed a new bilateral trade deal with Australia, an agreement that has eluded the EU since 2018. Recognizing the slow pace of EU policymaking on trade, and in the continued absence of US interest, the UK has begun negotiations to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), offering Japan and other CPTPP members the chance to globalize this currently regional-only agreement.

If the UK's application proves successful, joining the CPTPP would not only lower tariffs on many goods but would protect UK investors across the Asia-Pacific region under the agreement's investor–state dispute settlement (ISDS) mechanism. The CPTPP's services chapter would make it easier for UK companies and those from CPTPP members to tender for services contracts, including those for public services provision, in each other's markets. In addition, the deal could offer greater mutual recognition for professional qualifications, which would be particularly useful for British financial and legal services providers. The CPTPP's digital trade chapter would also make cross-border dataflows easier and less regulated.

As Figure 17 below illustrates, the UK's profile as a global trader is starting to resemble that of other mid-sized advanced economies, such as Australia, Canada and Japan, whose needs drive a more proactive trade agenda than those of the EU or the US.

¹⁰⁵ British Chamber of Commerce Singapore, 'UK and Singapore sign new innovative digital trade deal, the Digital Economy Agreement (DEA)', press release, 28 February 2022, <https://www.britcham.org.sg/news/uk-and-singapore-sign-new-innovative-digital-trade-deal-digital-economy-agreement-dea>.

Figure 17. Who has signed trade deals with whom?



Source: Chatham House research.

But there are downsides to, and inconsistencies in, this more proactive approach. For instance, in those cases where the economic and strategic benefits to the UK appear to outweigh the negatives, the government’s opportunism has also meant setting aside its stated commitment in the Integrated Review to support and democratic governance that respects human rights. For example, this government, like its predecessors, is lobbying the Gulf Arab countries for increased trade and inward investment: Foreign Secretary Liz Truss and her GCC counterparts committed in December 2021 to begin negotiations in 2022 for a UK–GCC Free Trade Agreement, despite the questionable human rights records of many GCC members.¹⁰⁶

Boris Johnson has made a trade deal with India a personal priority, wooing Indian prime minister Narendra Modi at every opportunity, despite the Modi government’s domestic tilt towards ethno-nationalism and the recent steps it has taken to undermine judicial independence and minority rights in India.¹⁰⁷ Similarly, the Johnson government – conscious of the extensive economic opportunities in a large, youthful and proximate country – has chosen not to challenge the autocratic tendencies of Turkey’s president Recep Tayyip Erdoğan. Instead, the

¹⁰⁶ Foreign, Commonwealth & Development Office (2021), ‘Gulf Cooperation Council – United Kingdom Foreign Ministers’ Meeting, 20 December 2021: joint communiqué’, 20 December 2021, <https://www.gov.uk/government/publications/uk-gulf-co-operation-council-foreign-ministers-meeting-december-2021-joint-communiqué/gulf-co-operation-council-uk-foreign-ministers-meeting-20-december-2021-joint-communiqué>.

¹⁰⁷ Sahoo, N. and Khan, J. (2020), ‘UAPA and the growing crisis of judicial credibility in India’, Observer Research Foundation, 21 November 2020, <https://www.orfonline.org/expert-speak/uapa-growing-crisis-judicial-credibility-india>.

priority is to try to expand on the December 2020 rollover agreement and negotiate a new deal in 2022 that removes further obstacles to bilateral trade.¹⁰⁸

There are also some important constraints to benefiting fully from this more independent UK trade policy. The government made much of the digital services chapter in its bilateral deal with Japan. But there are doubts whether the UK will be able to take advantage of the deal's offering, or a similar one in the planned deal with the CPTPP, without putting at risk its hard-won data-adequacy agreement with the EU, which is by far the bigger market for UK digital services.

Similarly, trumpeting of the bilateral trade agreement with Australia ignores the government's own estimate that the deal will add just 0.08 per cent to UK GDP over 15 years, compared with the consensus estimates of a loss in UK GDP growth of some 4 per cent as a result of the UK's decision to pursue a limited TCA with the EU.¹⁰⁹ The government has also glossed over the ways in which the deal with Australia undercuts its commitments to strengthen environmental and animal welfare standards after Brexit: Australian exports of farm produce will include products subject to far higher pesticide use than was previously permitted in the UK under EU rules. The deal will also permit imports of Australian beef, lamb, pork and poultry, despite the use in Australia of intensive farming practices not allowed in the UK.¹¹⁰ Rather than using sovereign trade policy to advance UK climate policy – a central priority in the Integrated Review – the deal makes no more than a passing reference to the Paris climate targets and does not commit Australia to limiting global warming to the global target of below 2°C.¹¹¹

China is another area where the UK's international economic opportunism is in tension with other Integrated Review goals. In November 2020, under US and domestic pressure over China's spread of state surveillance and other security concerns, the government decided that telecoms providers in the UK must remove all Huawei equipment from the UK's 5G network by the end of 2027.¹¹² Throughout 2021, the Johnson government aligned itself with the US and became ever more vocal in its criticism of China's domestic politics – citing, in particular, China's treatment of the Uighur minority and its crackdown on supporters of democracy

¹⁰⁸ On the trade ambitions, see *Daily Sabah* (2021), 'Turkey, UK to start talks on more comprehensive free trade deal', 26 August 2021, <https://www.dailysabah.com/business/turkey-uk-to-start-talks-on-more-comprehensive-free-trade-deal/news>. On the UK's cautious diplomatic posture, it was noticeable that the UK ambassador to Turkey did not join US, Canadian and EU counterparts in signing a letter pressing for the resolution of the case against businessman and philanthropist Osman Kavala. See Pitel, L. (2021), 'Turkey's Erdogan declares 10 western ambassadors 'persona non grata'', *Financial Times*, 24 October 2021, <https://www.ft.com/content/5d0cec70-3c7e-46e7-a3cf-4330e72328ca>.

¹⁰⁹ Department for International Trade (2021), 'Impact assessment of the FTA between the UK and Australia: executive summary', 16 December 2021, <https://www.gov.uk/government/publications/uk-australia-fta-impact-assessment/impact-assessment-of-the-fta-between-the-uk-and-australia-executive-summary-web-version>; van Tongeren, F. et al. (2021), 'Trade impacts of the Trade and Cooperation Agreement between the European Union and the United Kingdom', OECD Economics Department Working Papers, No. 1698, Paris: OECD Publishing, <https://doi.org/10.1787/eeea3ec-en>; BBC News (2021), 'Impact of Brexit on economy 'worse than Covid'', 27 October 2021, <https://www.bbc.co.uk/news/business-59070020>.

¹¹⁰ Alliance to Save Our Antibiotics (2021), *Differences in Australian and British Farm Antibiotic Standards*, May 2021, <https://www.saveourantibiotics.org/media/1932/differences-in-australian-and-british-farm-antibiotic-standards-may-2021updated.pdf>; Compassion in World Farming (undated), *Trade and animal welfare, What could future deals mean for animals?*, <https://www.ciwf.org.uk/our-campaigns/other-campaigns/trade-and-animal-welfare> (accessed 6 March 2022).

¹¹¹ Webb, D. (2022), *UK-Australia Free Trade Agreement: Agreement in Principle*, House of Commons Library, 3 March 2022, <https://researchbriefings.files.parliament.uk/documents/CBP-9204/CBP-9204.pdf>.

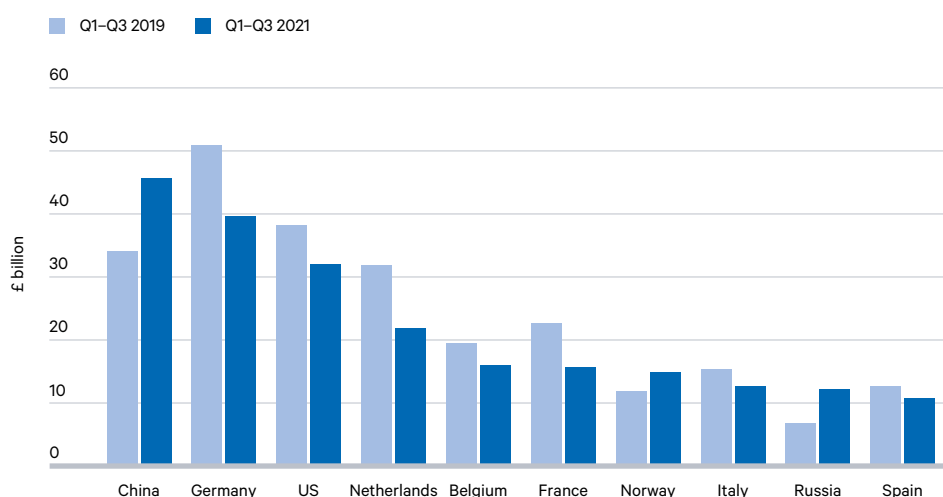
¹¹² BBC News (2020), 'Huawei ban: UK to impose early end to use of new 5G kit', 30 November 2020, <https://www.bbc.co.uk/news/business-55124236>.

in Hong Kong – to the point where it joined the Biden administration in banning any government attendance at the Beijing Winter Olympics in February 2022.

It also criticized China’s approach to development aid, including the BRI and ‘Digital Silk Road’, as undermining good government and exporting state surveillance around the world.¹¹³ In mid-2021, the government announced a review of the funding mechanisms for new nuclear power plants being built in the UK, making it likely that current minority investment by China’s CGN in the new Sizewell C reactor in Suffolk would be blocked, as could CGN’s plans to build a new plant at Bradwell in Essex.¹¹⁴ In January 2022, the new National Security and Investment Act came into force, giving the UK government major new powers to vet foreign investments in a broad array of dual-use technologies and engineering.¹¹⁵

Yet, the overall picture for bilateral trade between the UK and China has lived up for now to the Integrated Review’s pragmatic stance of balancing the idea of China as a systemic rival with a commitment to ‘continue to pursue a positive trade and investment relationship’.¹¹⁶ Thanks to its role as a key provider of PPE during the COVID-19 pandemic and of consumer goods such as laptop computers and home appliances that were especially in demand during the lockdowns of 2020 and 2021, China was the only country among the UK’s top five trade partners – and one of only three in the top 10 – to increase its total exports to the UK between the first quarter of 2019 (i.e. pre-pandemic) and the third quarter of 2021, as shown in Figure 18.

Figure 18. UK imports from selected partner countries, 2019/2021



Source: Office for National Statistics (2022), ‘Trade and Investment Core Statistics Book’, 18 February 2022 update, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1055630/dit-trade-and-investment-core-statistics-book.pdf (accessed 15 Mar. 2022).

¹¹³ Foreign, Commonwealth & Development Office and the Rt Hon Elizabeth Truss MP (2021), ‘Building the Network of Liberty: Foreign Secretary’s speech’, 8 December 2021, <https://www.gov.uk/government/speeches/foreign-secretary-liz-truss-building-the-network-of-liberty>.

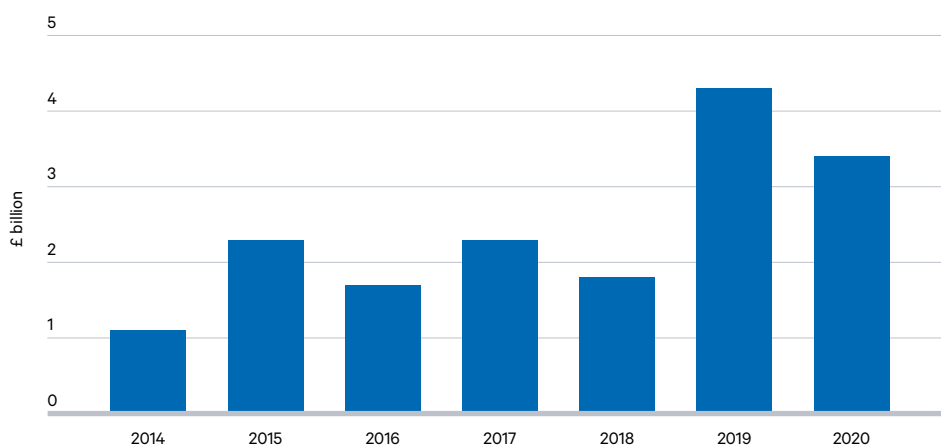
¹¹⁴ Parker, G. and Sheppard, D. (2021), ‘UK to shut out China with revamped nuclear funding model’, *Financial Times*, 26 October 2021 <https://www.ft.com/content/ac47ce20-78d0-41fd-a271-209e8aa72baa>.

¹¹⁵ Department for Business, Energy & Industrial Strategy (2020), ‘National Investment and Security Act 2021’, 11 November 2020, <https://www.gov.uk/government/collections/national-security-and-investment-act>.

¹¹⁶ HM Government (2021), *Integrated Review*, p. 22.

Meanwhile, the stock of Chinese FDI in the UK was still significantly higher at the end of 2020 than in 2017–18, notwithstanding the impact of the pandemic and tensions over Hong Kong and Xinjiang, and the broader deterioration of bilateral diplomatic relations.

Figure 19. Inward FDI stock from China in the UK, 2014–20



Source: Department for International Trade (2022), 'Trade & Investment Factsheet: China', 18 March 2022 update, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060900/china-trade-and-investment-factsheet-2022-03-18.pdf (accessed 24 Mar. 2022).

On balance, the government appears still to be following the Integrated Review's line of allowing the UK trading relationship with China to grow, while simultaneously placing certain sensitive sectors out of bounds for Chinese direct investment.

03

Next steps

To be a constructive player in a more divided world, the UK must rebuild its relationship with the EU, avoid being sidelined by closer US–EU cooperation, and ensure it pursues its trade and development agendas with strategic purpose.

The UK seems to have held its own internationally over the past year. The Johnson government has emphasized the UK's role as a constructive player among the liberal democracies, especially in terms of its capacity to contribute to their collective security. However, its record on strengthening global resilience has been mixed. While the government engineered global progress to address climate change, severe aid cuts undermined its resilience agenda. It has started designing a more agile national regulatory framework in some priority sectors, and has initiated a more tailored set of trading relationships around the world, although the UK is unlikely to achieve many net positive economic benefits from its greater international economic autonomy.

Given these early indicators, how should the UK approach the next phase of its post-Brexit journey? When answering this question – the focus of this chapter – it is important to assess the international context in which the UK will operate in the next couple of years.

Four trends stand out. First, strategic and military confrontation with Russia over the status of Ukraine and the overall framework for European security is likely to dominate UK foreign and security policy thinking in the near future. This puts a more urgent premium on the UK and its EU neighbours setting aside the political divisions that defined much of their relationship in – and prior to – 2021. Doing so will also help ease the UK's transition to a more balanced post-Brexit economic recovery.

Second, the crisis with Russia has strengthened the UK's hand in its relationship with Washington. But the continued political polarization in the US – with pivotal congressional elections in November 2022 and positioning for the 2024 presidential election gaining salience in 2023 – means that the Biden administration will struggle to play a consistent leadership role in the new contest between democratic and autocratic systems of government, especially if it is forced to focus much of its

limited foreign policy energy on crisis management with Russia over Ukraine, and on European security more broadly. The US will lean as much on the EU as on NATO in this context. The UK therefore also needs to sustain its role as a convener of the broader liberal democratic community – a ‘G7 Plus’ – and ensure it does not get squeezed to the margins by closer US–EU coordination.

Third, Russia’s invasion of Ukraine is leading to a more intense geo-economic and strategic contest between China and the US, and a more divided world. As a result, there will be continued dysfunction in the world’s multilateral institutions, and a search by many countries for more bespoke arrangements in their international relations. While negative for the world, this situation gives greater strategic purpose to the sorts of bilateral and regional trade deals that the UK has been seeking to develop. The same will apply to the UK’s efforts to contribute to global debates about standards and regulations, from trade to internet governance.

Fourth, in a less hierarchical world, where the global dominance of the largest democracies like the US and UK is challenged not just by China but by a host of other large and mid-sized countries, the UK’s international influence will depend on its ability to contribute to addressing problems that affect others as well as its own narrow national interests – simply put, finding global solutions to global problems. The UK has built up its soft power in part through its leadership on critical global concerns such as climate change, and supporting the social and economic development of more marginalized countries. The risk now is that Global Britain will become conflated in the eyes of others with a ‘Britain first’ outlook, if the government’s focus on responding to the crisis in Ukraine causes it to divert its attention and resources away from the UK’s commitments to supporting global resilience.

Rebuilding relations with the EU

The antagonism towards the EU that has characterized the political messaging of Conservative Party ministers since 2019 has been predictable and inevitable. It is difficult for Prime Minister Johnson to pivot towards a positive approach to the EU, having won his parliamentary majority on a bald commitment to ‘get Brexit done’ and given the deep level of mistrust with which he is viewed by his EU peers. He also needs to keep his base warm for the next general election, while proving that his bare-bones Brexit will have the cathartic effect on the country’s prospects that he had promised in the Leave campaign.¹¹⁷

Nevertheless, at the start of 2022 the government gave the impression that it intended to set UK–EU relations on a more positive track. Following the resignation of the combative Lord Frost,¹¹⁸ responsibility for managing the UK’s relations with the EU has returned to the Foreign, Commonwealth and Development Office (FCDO). Foreign Secretary Liz Truss made a point of reaching out early

¹¹⁷ See, for example, Johnson’s decision to compare, in a speech to Conservative Party members, on 19 March 2022, the British people’s vote for Brexit to Ukraine’s fight for freedom against Russia. O’Connor, M. (2022), ‘Ukraine war: Boris Johnson sparks fury after comparison to Brexit’, BBC News, 19 March 2022, <https://www.bbc.com/news/uk-politics-60809454>.

¹¹⁸ Lord David Frost had been the lead negotiator for the withdrawal agreement between the UK and the EU, and had latterly held the cabinet position of minister of state responsible for Brexit.

in her tenure to European Commission Vice-President Maroš Šefčovič, while the government indicated that it would set aside for the time being its concerns over the involvement of the European Court of Justice in overseeing the implementation of the Northern Ireland Protocol.¹¹⁹ Compromises by the EU over the intensity of border checks on goods entering Northern Ireland from Great Britain has helped create the impression that this most toxic of issues could possibly be managed through technocratic solutions.¹²⁰

Certain EU member states seem to want to formalize a ‘cost’ of Brexit for the UK, even as they say they do not want to ‘punish’ Britain for its decision to leave.

Truss’s first speeches as foreign secretary made little if any reference to the EU as an institution. In her October 2021 speech to the Conservative Party conference, for instance, she instead referenced the Baltic Three and Visegrád Four as important European partners alongside a long list of non-European targets of Britain’s new, more commercially focused foreign policy.¹²¹

Still, as the government was warned, the UK cannot escape the gravitational pull of the EU and is now trapped in an endless negotiation with its neighbouring trade bloc. Having negotiated the thinnest of all trade agreements, it is left with a TCA containing huge gaps – beyond those bedevilling the Northern Ireland Protocol – that need resolving in the coming months. Some issues are slowly being resolved, such as arrangements on fishing quotas and access to each other’s waters.¹²² But others remain unresolved, such as the EU’s refusal to grant the UK equivalence in certain areas of financial regulation and only temporary equivalence in others.¹²³ UK small and medium-sized companies are struggling with added red tape as well as labour supply issues.¹²⁴ They would benefit from a government focus on mutual recognition of professional qualifications, and short-term visas for workers to enter sectors such as hospitality, construction and manufacturing, as well as health and agriculture.

¹¹⁹ Campbell, J. (2022), ‘Brexit: UK and EU will find ‘durable’ solutions to protocol’, BBC News, 21 February 2022, <https://www.bbc.com/news/uk-northern-ireland-60456056>; Staunton, D. (2021), ‘Britain drops demand for removal of ECJ role from NI protocol’, *Irish Times*, 10 December 2021, <https://www.irishtimes.com/news/world/uk/britain-drops-demand-for-removal-of-ecj-role-from-ni-protocol-1.4752375>.

¹²⁰ European Commission (2021), ‘Protocol on Ireland/Northern Ireland: Commission proposes bespoke arrangements to benefit Northern Ireland’, press release, 13 October 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5215.

¹²¹ Conservative Party (2021), ‘The network of liberty’, speech, 3 October 2021. See also Foreign, Commonwealth & Development Office and the Rt Hon Elizabeth Truss MP (2021), ‘Building the Network of Liberty’.

¹²² Boffey, D. (2021), ‘UK and EU settle fishing row but French fishers vow to go ahead with blockade’, *Guardian*, 12 December 2021, <https://www.theguardian.com/environment/2021/dec/12/france-drops-threat-of-trade-war-over-post-brexit-fishing-rights>.

¹²³ Bailey (2021), ‘The case for an open financial system - speech by Andrew Bailey’.

¹²⁴ According to British Chambers of Commerce’s recent Trade Manifesto, only 10 per cent of UK businesses are involved with international trade. British Chambers of Commerce (2022), ‘New generation of exporters needed to power economic growth - BCC Trade Manifesto’, press release, 17 January 2022, <https://www.britishchambers.org.uk/news/2022/01/new-generation-of-exporters-needed-to-power-economic-growth-bcc-trade-manifesto>.

Other issues appear to be heading in the wrong direction. The unexplained exclusion of UK scientists and research institutions from research projects organized under the Horizon budget is a growing source of tension.¹²⁵ The UK and the EU negotiated the UK's inclusion, and the UK remains a key funder as well as contributor. As with financial services, certain member states seem to want to formalize a 'cost' of Brexit for Britain, even as they say they do not want to 'punish' the UK for its decision to leave.

Irrespective of political decision-making, 2022 could also see a worsening of the UK–EU trading relationship in goods for purely technical reasons. At the start of the year, the EU introduced the requirement for UK-based exporters to provide formal proof of the rules of origin of all components of their exports, rather than simply make a declaration to this effect. This has compounded the procedural burden for small and medium-sized businesses that were already dealing with the additional red tape of customs procedures to confirm that their exports meet EU regulatory and phytosanitary standards. And, from July 2022, the UK is scheduled to complete the introduction of its own border checks on most goods entering the UK from the EU.¹²⁶

It is also likely that regulatory competition and differentiation will increase. The appointment of Johnson's close ally Jacob Rees-Mogg as minister for Brexit opportunities and government efficiency in January 2022 underscores the prime minister's determination to point to a 'Brexit dividend' at the next general election. One example in this respect is general standards certification, where the UK government has stated that companies wanting to place goods in the UK market would need to meet a new UKCA (UK Conformity Assessed) safety standard, rather than sell under the established CE standard that applies throughout the European Economic Area. In practice, this could require businesses to comply with a set of standards that will mostly duplicate but in some places diverge from EU standards, and thus add greatly to the burden on companies that need to produce goods in line with two subtly different sets of standards for the two markets.¹²⁷

Continuing in an antagonistic trading relationship with the EU will be economically counterproductive, making the road to a post-pandemic recovery even steeper. The health of the UK economy and the job security of countless workers remains intertwined with those of the EU, given that, prior to Brexit, nearly 3 million jobs – 43 per cent of the 6.5 million UK jobs supported by exports – depended on exports to the EU, according to the government's own data.¹²⁸

There is also the risk that allowing these areas of dispute and friction in the economic sphere to persist, and possibly fester, will undermine both sides' desire to forge a closer relationship on foreign and security policy – as is now even

¹²⁵ O'Carroll, L. (2022), 'UK and European scientists urge EU to allow UK access to £80bn fund', *Guardian*, 8 February 2022, <https://www.theguardian.com/politics/2022/feb/08/uk-and-european-scientists-urge-eu-to-allow-uk-access-to-10bn-fund-brexite>.

¹²⁶ European Commission (2021), 'New import formalities to bring goods from the EU into the UK as of 1 January 2022', https://ec.europa.eu/taxation_customs/customs-4/international-affairs/third-countries/united-kingdom/new-import-formalities-bring-goods-eu-uk-1-january-2022_en.

¹²⁷ Foster, P. and Parker, G. (2022), 'No 10 distances itself from idea UK might scrap new goods testing regime', *Financial Times*, 21 February 2022, <https://www.ft.com/content/e5d440ac-1fbf-4fb7-a2d2-5ae71eb7f267>.

¹²⁸ Department for International Trade (2021), 'Global Britain, local jobs', Policy Paper, <https://www.gov.uk/government/publications/board-of-trade-report-global-britain-local-jobs/global-britain-local-jobs-html-version>.

more critical following Putin's decision to rip up the post-Cold War security arrangements in Europe.

The UK government has argued that the two agendas can run in parallel, meaning that misalignment in one need not impact the other. Indeed, one of the features of the post-Brexit period has been continued close alignment between the UK and the EU on most of their foreign policy priorities, from coordination in support of the Joint Comprehensive Plan of Action on Iran (JCPOA) and the Paris Agreement during the Trump administration, to a growing approximation between the UK and its European neighbours on the relationship with China. This has convinced some in the UK that the government was right to eschew a formal treaty with the EU on foreign and security policy and rely instead on the ad hoc 'E3' process and bilateral coordination.¹²⁹

The high levels of coordination in response to the crisis with Russia over Ukraine could now serve as a powerful counterweight to the risks of spillovers from the tough UK–EU agenda into bilateral cooperation on foreign and security policy.

However, these unofficial formats cannot be entirely isolated from Brexit-induced tensions. The potential for UK–EU economic disagreements to cut across the desire for foreign policy coordination was evident in the run-up to the UK-hosted G7 Leaders' Summit in 2021, as the French and German governments decried the Johnson government's threat to trigger Article 16 of the Northern Ireland Protocol, and the Biden administration issued an unprecedented *démarche* warning of serious consequences should the UK act on this threat.¹³⁰ This was a clear signal that a persistently antagonistic economic relationship with EU will likely weaken the UK's international influence more broadly – not only in the G7 and the transatlantic relationship, but potentially also in other multilateral forums such as the G20.

The high levels of coordination in response to the crisis with Russia over Ukraine could now serve as a powerful counterweight to the risks of spillovers from the tough UK–EU agenda into bilateral cooperation on foreign and security policy. The UK, the US, Canada and the EU have closely aligned their diplomatic messaging, intelligence-sharing and execution of sanctions packages since the crisis began to escalate in November 2021. The EU's idea of pursuing 'European strategic autonomy' as a hedge to an unreliable transatlantic relationship appears less attractive in many EU capitals for now. Moreover, following the invitation extended to Liz Truss, together with her US and Ukrainian counterparts, to attend

¹²⁹ Billon-Galland, A. and Whitman, R. (2021), *Towards a strategic agenda for the E3: Opportunities and Risks for France, Germany and the UK*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/04/towards-strategic-agenda-e3>.

¹³⁰ Maguire, P. and Wright, O. (2022), 'G7 summit 2021: Joe Biden accuses Boris Johnson of 'inflaming' Irish tensions', *The Times*, 10 June 2022, <https://www.thetimes.co.uk/article/g7-summit-2021-joe-biden-accuses-boris-johnson-of-inflaming-irish-tensions-r88lcv6cg>.

the Council of EU Foreign Ministers, in early March 2022,¹³¹ there is an opportunity to create more frequent and more stable mechanisms for UK–EU foreign policy coordination, short of the sort of formal treaty that remains anathema to much of the Conservative Party, but that would regularize the recent close work and avoid the need for the two to reinvent these processes in the future.

One option is to explore how the parallel processes currently under way to develop a new NATO Strategic Concept and the EU’s Strategic Compass could embed the UK, alongside the US and Canada, in more regular transatlantic coordination across the full spectrum of responses that NATO and the EU together offer to confront challenges of shared interest to their members. The UK has been very supportive of Secretary General Jens Stoltenberg’s NATO 2030 agenda, which emphasizes the need for greater NATO focus on disruptive technologies, the increased importance of the cyberspace and space domains for conflict, and the dangers of hybrid threats.¹³² These priorities match the UK’s emphasis on the concept of integrated deterrence, giving UK and NATO forces the resilience to deal consistently against an adversary that operates below the threshold of war, together with its determination to be a lead nation on innovative science and technology.¹³³

The response to Russia’s invasion of Ukraine has also highlighted the way the EU’s own growing defence agenda – focused currently on joint funding for capacity and capability-building, supporting cyber defences and improving cross-border mobility – will be essential to an integrated European response to the Russian threat in the future. Although NATO and the EU have increased their levels of coordination and cooperation since the early 2000s – despite the impediments often imposed by Turkey over Cyprus – now is the time for the UK to support an acceleration of this process.¹³⁴ The UK’s involvement in NATO’s first Innovation Fund and in hosting the future European headquarters of NATO’s new Defence Innovation Accelerator for the North Atlantic means it needs to find a regular framework to discuss issues of standards, regulation and interoperable technological solutions with the EU, given its competencies and funding sources in these domains.¹³⁵ The risk otherwise is that the UK could find itself excluded from deeper defence industrial and technological cooperation within the EU, as the massive planned increase in German defence spending drives new initiatives in this sector.

A more specific UK–EU dialogue on security could also emerge from the Russia–Ukraine crisis. It could include the establishment of a sanctions review group that would ensure alignment on the timing and targets of sanctions, as well as arrangements for lifting them. The contrast between the UK’s limited initial round of sanctions against Russian oligarchs close to President Putin, and the much more comprehensive package of US and EU sanctions imposed immediately

¹³¹ European Council, Council of the European Union (2022), ‘Extraordinary Foreign Affairs Council, 4 March 2022’, <https://www.consilium.europa.eu/en/meetings/fac/2022/03/04>.

¹³² North Atlantic Treaty Organization (2020), *NATO 2030: United for a New Era*, https://www.nato.int/nato-static_files/2014/assets/pdf/2020/12/pdf/201201-Reflection-Group-Final-Report-Uni.pdf.

¹³³ Billon-Galland, A. (2021), ‘What matters to the UK in the context of the new Strategic Concept discussion’, Real Instituto Elcano, 30 December 2021, <https://www.realinstitutoelcano.org/en/analyses/what-matters-to-the-uk-in-the-context-of-the-new-strategic-concept-discussion>.

¹³⁴ North Atlantic Treaty Organization (2022), ‘Relations with the European Union’, 4 March 2022, https://www.nato.int/cps/en/natohq/topics_49217.htm.

¹³⁵ Billon-Galland (2021), ‘What matters to the UK in the context of the new Strategic Concept discussion’.

after Putin recognized the breakaway regions of Luhansk and Donetsk on 23 February 2022, underscored the risks of relying on informal coordination, based on different legal frameworks.

Unless the UK government concentrates purposefully on leveraging the current close coordination with the EU over Russia's invasion of Ukraine to cement this tentative improvement in relations, the weight and frictions of outstanding post-Brexit business could still open new divisions that would weaken both sides at a pivotal moment in international relations.

Reinforcing the transatlantic relationship with a G7 Plus

The Biden administration entered the White House committed to reconstituting the transatlantic relationship, as part of its effort to strengthen the US's alliances around the world. The lead-up to and launch of Russia's full-scale invasion of Ukraine enabled Biden to put this commitment into action. But the scale of the US administration's foreign policy ambitions and demands, and its extremely challenging domestic agenda, means that US diplomacy will rarely be able to privilege the historically 'special' US relationship with the UK. Rather, there is the risk that the UK could get squeezed in the next couple of years by a closer US–EU relationship as well as a set of deals between the two that exclude the UK.

The response to Russia's aggression against Ukraine has been good for the UK relationship with the Biden administration, given the government's robust messaging to Russia and provision of defensive military support to Ukraine in the lead-up to the invasion. This followed a far more productive year of UK–US relations than had been expected, culminating in the publicity around the signing of the new Atlantic Charter just ahead of the June 2021 G7 Summit,¹³⁶ and – less widely reported – the US decision to fund the new W93 high-yield warhead for submarine-launched ballistic missiles that is one of the foundations of the two countries' special nuclear relationship.¹³⁷

But, as US Secretary of State Antony Blinken said at the Munich Security Conference in February 2022, the crisis has also shown the power of the US and the EU acting closely together.¹³⁸ The US–EU relationship had already been on a positive trajectory prior to the Russian military build-up on Ukraine's borders. Despite the Biden administration's nervousness about upsetting US steel unions, in October 2021 US Trade Representative Katherine Tai converted the Trump-era US tariffs on EU steel and aluminium imports into less onerous tariff quotas. The same offer was not made to the UK, giving rise to much commentary that the delay was part of a not-so-subtle effort by the administration to push the UK into resolving its dispute with the EU over

¹³⁶ Prime Minister's Office, 10 Downing Street and The Rt Hon Boris Johnson MP (2021), 'New Atlantic Charter and Joint Statement agreed by the PM and President Biden', 10 June 2021, <https://www.gov.uk/government/publications/new-atlantic-charter-and-joint-statement-agreed-by-the-pm-and-president-biden>.

¹³⁷ Arms Control Association (2021), 'Biden Continues Trump Nuclear Funding', July/August 2021, <https://www.armscontrol.org/act/2021-07/news/biden-continues-trump-nuclear-funding>.

¹³⁸ U.S. Department of State (2022), 'Secretary Antony J. Blinken and German Foreign Minister Annalena Baerbock at the Munich Security Conference: Remarks', video, 18 February 2022, <https://www.state.gov/secretary-antony-j-blinken-and-german-foreign-minister-annalena-baerbock-at-the-munich-security-conference>.

the Northern Ireland Protocol. The US action has had a severe impact on UK steel exports, as these are now being further undermined in the US market by cheaper imports from the EU.¹³⁹ While negotiations to revoke the UK tariffs were completed in late March 2022, the preferential treatment extended to the EU should at the very least be a reminder to the Johnson government of the importance to the US of the EU's economic weight, relative to the UK.

Importantly, the US–EU deal also included clauses to counter trans-shipment of Chinese steel via Europe to the US, with a reference to avoiding high-carbon-content steel from being part of the tariff-free quotas.¹⁴⁰ Once the UK deal is completed with the US, it will follow rather than set this extraterritorial framework. The US focus on first striking a deal with the EU also reflects the delicate manoeuvring currently in progress between the world's two largest markets over the roll-out of any carbon border taxes. Once again, the UK is a bystander to this US–EU debate regarding what will eventually constitute a radical and structural change to the global trading system.

Another critical area of US–EU coordination concerns the future of digital technology standards and regulation. In October 2021, US and EU negotiators met for the first time under the aegis of their new Trade and Technology Council (TTC). The TTC's agenda covers the range of topics that are also central to the UK's ambitions to be a science and technology superpower and home to some of the world's most advanced companies. TTC working groups will try to find agreement on standards for new technologies such as facial recognition; on emerging technologies that could help combat climate change; on supply-chain security and data security; on export controls and investment security regimes; on global digital trade; and on governance of large tech companies.¹⁴¹ The EU's long-standing role as the world's most proactive regulator and self-appointed competition watchdog for the US's giant technology companies, as well as its status currently as the world's largest single market and regulatory space, makes the TTC a meeting of equals.

Once again, the UK is a bystander to a US–EU debate regarding what will eventually constitute a radical and structural change to the global trading system.

If the UK is to regain some diplomatic leverage, one route would be for it to try to join the TTC. The US might welcome UK participation on digital trade and security, as well as on standard-setting in general. The UK's approach to tech regulation tends to be more liberal than that of the EU, and its status as Europe's

¹³⁹ Pfeifer, S. (2022), 'Small UK businesses count the cost of lingering Trump-era steel tariffs', *Financial Times*, 8 February 2022, <https://www.ft.com/content/0705d5d9-3293-4972-8c43-145aef3d9590>.

¹⁴⁰ S&P Global (2021), 'EU's steel supply chain to face extra scrutiny under new US trade rules', 8 November 2021, <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/eu-s-steel-supply-chain-to-face-extra-scrutiny-under-new-us-trade-rules-67470043>.

¹⁴¹ European Commission (undated), 'EU-US Relations: EU-US Trade and Technology Council', Factsheet, https://trade.ec.europa.eu/doclib/docs/2021/june/tradoc_159642.pdf.

leading destination for tech investment would make it a natural ally to the US.¹⁴² In practice, however, this will be very difficult. Unlike defence and security, where the UK brings specific and weighty contributions to the success of a transatlantic agenda and has a commensurate voice at the table, on digital technology the UK risks becoming more of a rule-taker in the short term. This will remain the case unless the UK's own tech sector achieves the sort of global scale and impact of the financial sector, at which point the government can then earn or fight its way to the front of the transatlantic debate.

What options does the UK have to increase its leverage in the meantime? The UK has rarely lived up to past claims to serve as a bridge across the Atlantic.¹⁴³ The sensible option right now seems to be for the UK to work with the EU and the US bilaterally, and also with them jointly in the G7 and the emerging NATO–EU formats on a case-by-case basis. But aiming for this sort of ‘mid-Atlantic’ strategy, trying to carve out space for itself whenever necessary in a US–EU–UK triangle, could leave it – and British companies – at a disadvantage generally, and stranded should the transatlantic relationship revert to the confrontational character seen under the Trump administration.

There is currently a very real risk that the Democrats could lose not just control of Congress and the legislative agenda in 2022, but also the presidential contest in 2024. If Donald Trump, or someone else with his ‘America First’ and anti-EU outlook, were to re-enter the White House, the UK would once again be under pressure to choose one side or the other as its preferred partner on a range of sensitive topics, from trade and regulation to foreign policy. In all cases, it would find itself in a junior role.

Given these dynamics, the strategy that would give the government the best chance to regain some measure of control over Britain's place in the world would be to enlarge the UK's circle of influence and help bring together a larger group of like-minded countries that also incorporates the US and the EU. This would mean the UK doubling down on its commitment to the G7 Plus, the grouping of states from the transatlantic and Indo-Pacific communities that Prime Minister Johnson convened during the UK's G7 Presidency in 2020–21. The more cohesive this community becomes, in terms of its capacity for international economic and political coordination, the better the prospects for the liberal democratic agenda that lies at the core of the UK's stated foreign policy; and the more resilient this community would be if the US does return to a more Trumpian approach to its international relations.

In this context, it has been promising to see Japan and South Korea immediately join Australia, alongside Canada, the EU, the UK and the US, in imposing sanctions on Russia following its invasion of Ukraine. Tokyo and Seoul have traditionally held back from joining these sorts of sanctions arrangements. Formalizing a G7 Plus process for coordinating, reviewing and improving sanctions policy would be a logical next step. Another way to give substance to this larger

¹⁴² Bergsen, P. et al. (2022), *Digital trade and digital technical standards: Opportunities for strengthening US, EU and UK cooperation on digital technology governance*, Synthesis Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2022/01/digital-trade-and-digital-technical-standards>.

¹⁴³ See, for example, Tony Blair's 1996 speech at the Labour Party Conference: British Political Speech (2022), ‘Leader's speech, Blackpool 1996’, <http://www.britishpoliticalspeech.org/speech-archive.htm?speech=202>.

grouping would be to establish mechanisms to coordinate their international infrastructure investments through the UK's BII, the EU's Global Gateway, the Biden administration's B3W programme and their Japanese, Australian and South Korean equivalents. Foreign Secretary Liz Truss recognized the logic of UK–EU cooperation to this end in her Chatham House speech in November 2021.¹⁴⁴

Another way would be for the UK to try to overcome the continued bilateral tensions with France over AUKUS, and coordinate implementation of its Indo-Pacific strategy along with France, Germany and the EU – all three of which have formally instituted their own Indo-Pacific strategies. Although this will be difficult, the US tilt back towards Europe given the crisis over Ukraine makes it all the more important that major European countries be seen to coordinate as well as sustain their own modest tilt to the Indo-Pacific. Given that China's relations with Taiwan are likely to worsen over coming years, there is a premium on the UK and France – as permanent members of the UN Security Council and with important national commitments to the region – working more closely together on contingency planning. They could also coordinate their cooperation with Japan and Australia, both of which have toughened their diplomatic lines and military capabilities to confront the growing Chinese presence across the region. The fact that the new German coalition government led by Chancellor Olaf Scholz is likely to take a firmer line on China than Angela Merkel did would further support this broader coordination.

Rethinking the strategic purpose of UK trade policy

The need for a G7 Plus reflects the fact that the deepening division between liberal democracies and autocracies is making cooperation at the multilateral level ever harder. While this is a negative development in terms of addressing many global problems of common concern, it provides an opportunity for the government to pursue a more strategic international economic agenda than is implied in the Integrated Review. As already noted, the new bilateral trade deals being pursued by the government – beyond those it already enjoyed as a member of the EU – will have at best a marginal impact in the near-term on Britain's prosperity. But they can deepen the UK's political and geo-economic relations with countries and regions that could prove to be important partners in the larger strategic competition between Russia and China on the one hand, and the G7 Plus on the other. A similar purpose should animate the UK's efforts to strengthen its voice in forums dedicated to designing the rules and standards of future global commerce and investment.

There would be no better example of this strategy than completing in 2022 the current negotiations for the UK to join the CPTPP. On the surface, joining the CPTPP sounds like the sort of trade deal that would demonstrate the benefits of the UK having an independent trade policy. It will give the UK tariff-free access for its manufactured products to a market of over 500 million people accounting

¹⁴⁴ Foreign, Commonwealth & Development Office and the Rt Hon Elizabeth Truss MP (2021), 'Building the Network of Liberty'.

collectively for over 13 per cent of world GDP.¹⁴⁵ But, given the distances, even this significant regional deal is not expected to enlarge UK GDP by a meaningful amount, potentially by 0.08 per cent in the long run, similar to the deal with Australia.¹⁴⁶ And, as with the Australia deal, the government will have to accept some similar trade-offs. It will make it harder for the UK to raise its own food and product standards in the future, without creating the risk that UK producers and manufacturers will be undercut by lower-standard imports from other CPTPP members. Similarly, the UK would be signing up to an ISDS system that could lead to companies suing the UK for regulations that harm their profits, even if these regulations are linked to other UK priorities such as achieving a rapid energy transition away from fossil fuels.¹⁴⁷

But completing the deal for the UK to join the CPTPP will be an important symbol of the UK's commitment to supporting an open, rules-based approach to economic relations in the Indo-Pacific, despite its distance from the UK market. This commitment will be all the more important at a time when it looks unlikely that the US will choose to rejoin this strategically important trade grouping of which it had been an original architect. And at a time when allied governments in the region will be concerned that the crisis in Ukraine will draw the UK's strategic focus back to Europe.

The UK's efforts to initiate and complete other new, advanced bilateral deals through 2022 should be seen in the same light. Planned deals with major economies such as Canada, Mexico and Turkey will deepen the UK's relations with pivotal countries for the future – Canada being one of the UK's closest partners on its recent sanctions policies, Mexico a key 'swing' member of the G20, and Turkey a critically important NATO ally. But even deals with growing emerging markets, such as Vietnam in the Indo-Pacific, and Egypt in the Middle East, could fit into the same strategy.

Critics can rightly question the UK prioritizing deals with these non-democracies at the same time as publicly promoting a 'network of liberty' as the core objective of its foreign policy. However, Liz Truss laid out the government's thinking at Chatham House in late 2021, when she said that the UK, like other democracies, should be open to striking trade deals with countries that do not share its approach to domestic political governance, providing these countries are not trying to undermine liberal democracies, their shared institutions, or international law and order. She put China as well as Russia in the latter category of those undermining international law and order. Egypt and Vietnam, however, would not cross this threshold by this measure.

There are also some opportunities to pursue this strategy in the regulatory space. At the moment, the government is focused on changes that would sharpen its national competitiveness, such as those to listing rules and financial regulation

¹⁴⁵ Matsuura, H. (2021), 'Why joining the CPTPP is a smart move for the UK', Chatham House Explainer, 19 March 2021, <https://www.chathamhouse.org/2021/03/why-joining-cptpp-smart-move-uk>.

¹⁴⁶ Department for International Trade (2021), *UK Accession to CPTPP: The UK's Strategic Approach*, London: HMSO, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1027860/dit-cptpp-uk-accession-strategic-approach.pdf.

¹⁴⁷ Summary of recent fossil fuel cases here: Hodgson, C. (2021), 'European energy groups seek €4bn damages over fossil fuel projects', *Financial Times*, 21 February 2022, <https://www.ft.com/content/b02ae9da-feae-4120-9db9-fa6341f661ab>.

proposed in the report by Lord Jonathan Hill. The government wants to attract new kinds of financial services from around the world and more fintech companies like Wise and Revolut into the City, in order to counter the growing competition from Amsterdam, as well as New York.¹⁴⁸ The Kalifa Review of UK Fintech recommended that fintech forms an ‘integral part of UK trade policy’ and to create a new visa stream to enhance access to global talent for fintech scale-ups.¹⁴⁹

But the government should not think of regulation solely or principally as a space for buccaneering action and charting its own course. As noted above, this will be a risky option given the potential for the US and the EU to strike future transatlantic agreements in certain defined areas. Instead, British efforts to broker agreements to strengthen the resilience among the G7 Plus countries, in areas such as secure supply chains and cybersecurity, could include a regulatory and standard-setting dimension to which the UK would contribute.

And there are other areas where the UK can serve as a trusted source of international regulatory innovation.¹⁵⁰ For example, the Kalifa Review proposed an action plan and taskforce to drive international collaboration on fintech through the newly created Centre for Finance, Innovation and Technology. In addition, the UK will find a diverse array of partners in its efforts to strengthen the digital agenda in the WTO. The UK is already one of the most vocal supporters of the WTO’s plans on e-commerce, which encompass several sensitive areas, such as the cross-border transfer of information, data localization, open internet access and cybersecurity.¹⁵¹

Either the UK can try to undercut regional and global regulations to drive innovation, or it can try to lead global AI standard-setting in a direction that is consistent with the values and standards of the liberal democratic community; it cannot do both.

The government has also announced a new UK plan to shape global AI standards.¹⁵² The UK could be a good broker of compromises and shaper of solutions that would lessen the risk of transatlantic division in this critical area. The UK has the benefit of hosting highly regarded institutions such as the Alan Turing Institute, and companies such as DeepMind, but is not an AI superpower whose regulatory leadership could be the gateway to global dominance, like China and the US. However, as Carly Kind of the Ada Lovelace Institute has warned, the UK needs to articulate its own regulatory approach soon, or it will end up

¹⁴⁸ HM Treasury (2020), ‘UK Listings Review’, 19 November 2020, <https://www.gov.uk/government/publications/uk-listings-review>.

¹⁴⁹ HM Treasury (2021), ‘Kalifa Review of UK Fintech: Independent report on the UK Fintech sector by Ron Kalifa OBE’, <https://www.gov.uk/government/publications/the-kalifa-review-of-uk-fintech>.

¹⁵⁰ See, for example, British Foreign Policy Group (2022), *New Frontiers of Global Regulation*, report, <https://bfpg.co.uk/2022/03/new-frontiers-of-global-regulation>.

¹⁵¹ Foreign, Commonwealth & Development Office, Department for International Trade, and Julian Braithwaite (2020), ‘WTO joint initiative on e-commerce: UK statement’, 17 November 2020, <https://www.gov.uk/government/speeches/uk-statement-for-joint-initiative-on-e-commerce-plenary-session>.

¹⁵² Department for Digital, Culture, Media & Sport, Office for Artificial Intelligence, and Chris Philp MP (2022), ‘New UK initiative to shape global standards for Artificial Intelligence’, press release, 12 January 2022, <https://www.gov.uk/government/news/new-uk-initiative-to-shape-global-standards-for-artificial-intelligence>.

having to harmonize with the EU's emerging AI rules and fail in its ambition to be a science and technology superpower in this critical area.¹⁵³ Either the UK can try to undercut regional and global regulations to drive innovation, or it can try to lead global AI standard-setting in a direction that is consistent with the values and standards of the liberal democratic community; it cannot do both.

The potential spillovers from Russia's invasion of Ukraine only add to the strategic importance of the UK's future trade and regulatory policies. One of the biggest conundrums in this context is India. India's decision to abstain in the 25 February UN Security Council vote condemning the invasion served as an important reminder that other countries' assessments of what constitutes a threat to international order will not neatly fit into the UK government's own categories. Despite the well-known obstacles to negotiating a full-scale trade agreement with India, however, the UK could train its sights on a more targeted, sectoral trade deal that avoids overly sensitive areas for both sides, but whose completion would send an important signal to Russia and China of the deepening geo-economic ties among the world's main democracies.

The challenges that this contested strategic environment poses to British foreign economic policy will likely intensify if there is no mediated solution in the near-term to Russia's invasion of Ukraine and international sanctions continue or are further intensified. The growing number of US-, EU- and UK-imposed sanctions on China since 2021, alongside those applied to Russia, has brought China and Russia closer together, as demonstrated by Putin and Chinese President Xi Jinping's joint declaration in early February 2022 that their countries' support for each other would have 'no limits'.¹⁵⁴ With its current tacit support for Russia's aggression against Ukraine, China appears to be standing by this agreement.

This raises the potential that the Biden administration will impose secondary sanctions against China if it provides support that would directly bolster Russia's operations in Ukraine. It is uncertain whether the current transatlantic and transpacific cohesion among liberal democracies could be sustained in this case. The Chinese market will continue to be far more important to continental European countries as well as to allies such as Japan and South Korea than it is to the US. And very few countries beyond the core liberal democratic community – not just India, but the GCC states, key African partners like South Africa, or other G20 members like Brazil, Mexico and Turkey – will want to follow the US into a starkly divided world with its echoes of the Cold War era.¹⁵⁵ Given the prospects of a more divided world, the UK would do well to undertake contingency planning among its G7 Plus partners for the risk of an escalation in the ways that economic measures will be used as tools of foreign and security policy, by allies and rivals alike.

¹⁵³ Carly Kind, quoted in Heikkilä (2021), 'UK charts post-Brexit path with AI strategy'.

¹⁵⁴ Munroe, T., Osborn, A. and Pamuk, H. (2022), 'China, Russia partner up against West at Olympics summit', Reuters, 4 February 2022, <https://www.reuters.com/world/europe/russia-china-tell-nato-stop-expansion-moscow-backs-beijing-taiwan-2022-02-04>.

¹⁵⁵ South Africa was one of 17 African states to abstain in the UN General Assembly vote condemning Russia's invasion of Ukraine. For context, see Cotterill, J. (2022), 'South Africa stays silent on Russian aggression after Ukraine invasion', *Financial Times*, 19 March 2022, <https://www.ft.com/content/36dc93ac-1908-481e-8444-8008f1c02693>.

Being a reliable global partner

In this less hierarchical global context, the government's capacity to convene negotiations and broker and shape solutions consistent with the strategic objectives of the Integrated Review will depend on the country's soft power as well as the government's hard policies. The UK needs to rally other countries to its causes and interests; it cannot force them to engage by dint of its market, political or military power alone. To do this, the UK will need to serve as an attractive example and proponent of the sort of world it wants to bring about.

On the surface, the attractive power of the UK, or its soft power – an area in which the Integrated Review asserted that the UK is already a 'superpower'¹⁵⁶ – appears to have held up in the context of Brexit. As shown in Table 1, the UK ranked third after Germany and Japan on Brand Finance's Global Soft Power Index for 2021; and joint first with Italy in the British Council's 2021 Global Perceptions Survey; whereas it was second to France on Portland's Soft Power 30 Index in 2019.

Table 1. Comparison of the UK's soft power rankings

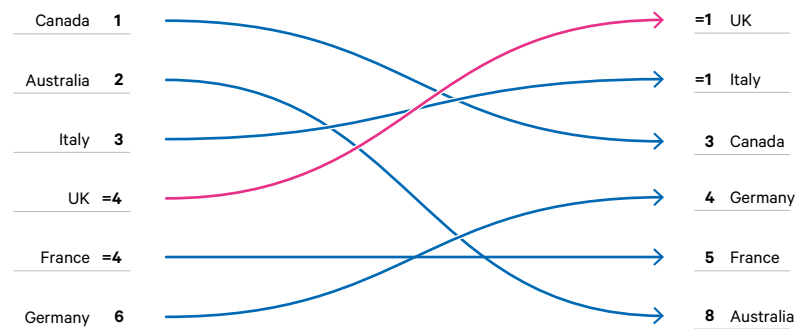
	Brand Finance Global Soft Power (2021)	British Council's global perceptions survey (2021)	Portland Soft Power 30 (2019)
1	Germany	UK	France
2	Japan	Italy	UK
3	UK	Canada	Germany
4	Canada	France	Sweden
5	Switzerland	Germany	US
6	US	US	Switzerland
7	France	Japan	Canada
8	China	Australia	Japan
9	Sweden	South Korea	Australia
10	Australia	Brazil	Netherlands

Source: Brand Finance (2021), 'Global Soft Power Index 2021: Japan is top-performing Asian nation, ranking 2nd overall', 28 February 2021, <https://brandfinance.com/press-releases/global-soft-power-index-2021-japan-is-top-performing-asian-nation-ranking-2nd-overall>; British Council (2021), *British Council's global perceptions survey 2021*, <https://www.britishcouncil.org/research-policy-insight/policy-reports/global-perceptions-survey-2021>; Portland (2021), 'The Soft Power 30', <https://softpower30.com> (2019 rankings).

And it is noticeable that, in the British Council survey, the UK's soft power ranking improved from fourth in 2016 to joint first in 2021 (Figure 20).

¹⁵⁶ HM Government (2021), Integrated Review, p. 49.

Figure 20. Change in relative soft power rankings 2016/21, selected countries

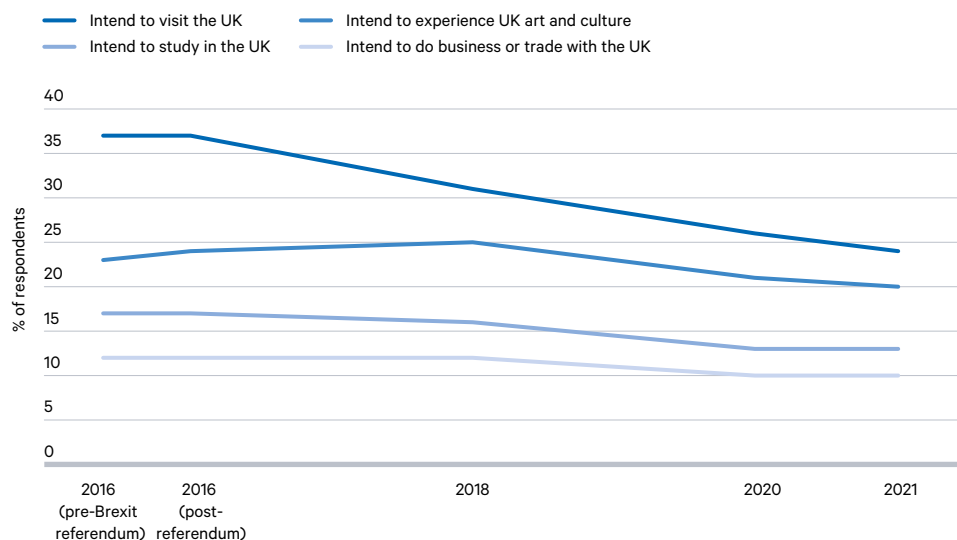


Source: British Council (2021), *British Council's global perceptions survey 2021*, <https://www.britishcouncil.org/research-policy-insight/policy-reports/global-perceptions-survey-2021>.

In the same survey, the UK was ranked second in the world for its education (after the US), and the best country in Europe for doing business.

However, the future looks uncertain. When polled on future intentions to engage with the UK in business, study, travel and culture, respondents in the British Council survey showed an overall fall in intentions since 2016 in all areas. This could be bad news for the UK's education, tourism and cultural industries, for sure, but it could also undercut the country's ability to pursue its international agenda.

Figure 21. Future intentions to engage with the UK, 2016–21



Source: British Council (2021), *British Council's global perceptions survey*, <https://www.britishcouncil.org/research-policy-insight/policy-reports/global-perceptions-survey-2021>.

The UK government needs to be alert to the reasons why global perceptions of the country have changed and are still changing. Some reasons are regional and structural, such as the greater frictions and cost of doing business and the loss of free movement since the UK left the EU. The government and the EU will struggle to ease these barriers in the coming years and reduce their impact

on European and global perceptions of the UK. Other drivers are near-term and potentially transitory. The UK took a reputational hit from the political turmoil that engulfed British politics following the Brexit vote. Since then, policy elites around the world who often read leading British publications like the *Financial Times* and *The Economist* will have closely followed the political travails of Prime Minister Johnson and his staff's personal behaviour during the pandemic.

But there are also more troubling charges of hypocrisy. There are few things more damaging to a country's international reputation than the perception of double standards. For example, the UK holds itself up in the Integrated Review as a champion of liberal democratic governance, at the heart of the modern G7 and in the vanguard of the Summit for Democracy. But there has been coverage outside as well as within the UK of the recent steps by the Johnson government that may limit voting rights among the more marginalized parts of the electorate, to target public money towards politically favoured regions, and to redesign the boards of cultural institutions, including the globally respected BBC, on political grounds.¹⁵⁷ Furthermore, as reported internationally in 2021, Britain's reputation has been damaged by its serving as a haven for kleptocratic money from Russia, Eurasia and Africa, and the way this has at times bled into its politics.¹⁵⁸

There are few things more damaging to a country's international reputation than the perception of double standards.

In addition, the UK has lost its reputation as one of the countries that is most open and welcoming to immigration, not only from the EU, but also from around the world. Instead, it is increasingly seen as a harsh country that closes its borders to refugees and asylum seekers from conflict-afflicted countries, the latest being those fleeing Ukraine.¹⁵⁹ Not only are the total number of refugees far lower in the UK than many other countries, but they have also been growing at a far slower rate, despite the rapid expansion of displaced people from devastation in Syria, Afghanistan and parts of Africa. Between 2016 and 2020, the number of refugees in the UK increased by only 11 per cent, from 119,000 to 132,000. In Germany, the refugee population – already far larger at 669,000 in 2016 – reached 1.21 million in 2020 (an increase of 81 per cent), while in France the number of refugees increased from 305,000 to 436,000 (43 per cent) over the same period.¹⁶⁰

¹⁵⁷ Lothian-McLean, M. (2022), 'Boris Johnson Is Revealing Who He Really Is', *New York Times*, 10 January 2022, <https://www.nytimes.com/2022/01/10/opinion/boris-johnson-britain-bills.html>.

¹⁵⁸ Heathershaw et al. (2021), *The UK's kleptocracy problem*; Bergman, M. (2022), 'How the United States Should Respond if Russia Invades Ukraine'.

¹⁵⁹ Stone, J. (2022), 'Labour refuses to back open door policy for Ukrainian refugees', *Independent*, 1 March 2022, <https://www.independent.co.uk/news/uk/politics/ukraine-war-refugees-uk-eu-labour-b2025568.html>.

¹⁶⁰ Our World in Data (2022), 'Refugee population by country or territory of asylum', <https://ourworldindata.org/grapher/refugee-population-by-country-or-territory-of-asylum?tab=table&time=2016..latest> (accessed 6 Mar. 2022).

The government's pledge to reduce immigration was one of the policies on which it secured its large majority in 2019.¹⁶¹ So, in this sense it is being true to its political mandate. But the numbers reveal a wilful inconsistency with its claims to uphold international law, including its duty to support the rights of refugees and displaced persons as enshrined in the UN Refugee Convention and Protocol.

As it communicates its vision of a Global Britain, the government needs to be more sensitive to the reputational legacy and risks that this brand carries from the country's colonial past.

Another set of constraints on the UK's global reputation come from its international actions. One slow burning issue concerns the fate of the Chagos Islands in the Indian Ocean, which it separated from Mauritius on the latter's independence in 1968. One of the principal islands, Diego Garcia, is now controlled under a long lease by the US and serves as one of its most important military bases in the world. In 2019, Britain faced a humiliating, thirteen-to-one loss in an advisory ruling of the International Court of Justice that the islands should be returned to Mauritius.¹⁶² Compounding the impact of the ruling, the UN General Assembly then voted overwhelmingly in support of the ruling, with several major European countries and UK allies, including France, Germany, the Netherlands and Poland, abstaining and only six, including the US and Australia, voting against the resolution.¹⁶³ So far, the UK has refused to adhere to the ruling, concerned that to do so would create a serious rift in its relationship with the US at a moment when its diplomatic support for Britain and its nascent Indo-Pacific strategy is a priority.

The case of the Chagos Islands is a reminder that, as it communicates its vision of a Global Britain, the government needs to be more sensitive to the reputational legacy and risks that this brand carries from the country's colonial past. Unlike some other colonial powers, the UK willingly relinquished virtually all its former colonies and retains a constructive link with them through the Commonwealth. But this institution remains a double-edged sword for British international influence. On the one hand, several members consistently fail to live up to the Commonwealth principles in terms of upholding the rule of law and accountable democratic governance. On the other, there is the risk that those with stronger traditions of democratic governance will sever their formal institutional connections with the UK, as Barbados did in 2021 when it became the latest former colony to remove Queen Elizabeth II as head of state and become a republic. The future succession of the monarchy will undoubtedly reopen debates in many countries as to whether it is time to cut their own relationships with the British crown.

¹⁶¹ Swinford, S. (2019), 'Election 2019: We will reduce migration, pledges Priti Patel', *The Times*, 14 November 2019, <https://www.thetimes.co.uk/article/election-2019-we-will-reduce-migration-pledges-priti-patel-n7ct77wb3>.

¹⁶² Bowcott, O. (2019), 'UN court rejects UK's claim of sovereignty over Chagos Islands', *Guardian*, 25 February 2019, <https://www.theguardian.com/world/2019/feb/25/un-court-rejects-uk-claim-to-sovereignty-over-chagos-islands>.

¹⁶³ UN (2019), 'General Assembly Welcomes International Court of Justice Opinion on Chagos Archipelago, Adopts Text Calling for Mauritius' Complete Decolonization', press release, 22 May 2019, <https://www.un.org/press/en/2019/ga12146.doc.htm>.

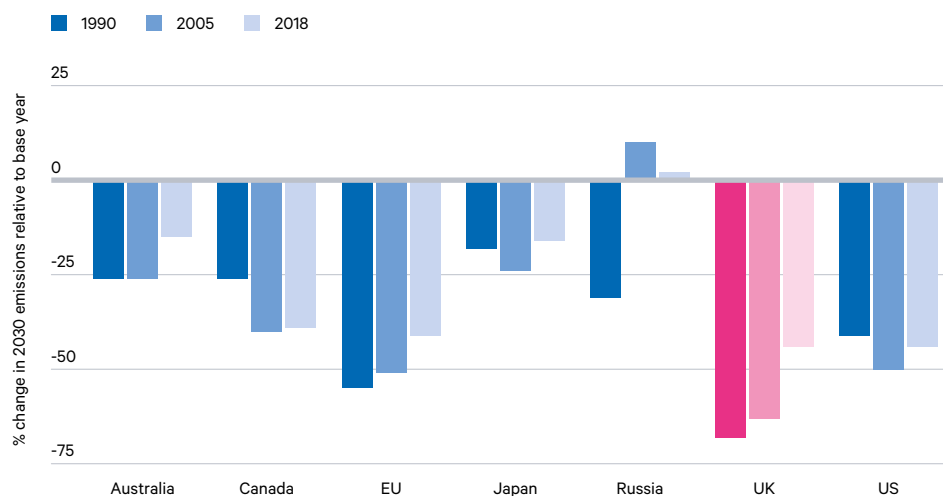
But there is now a more immediate risk to the UK's international reputation, and that of the liberal democracies more broadly. Following Russia's invasion of Ukraine, the world's poorest countries, along with the middle classes in many of the world's emerging economies, are being hit a perfect storm caused by the rising prices of commodities that are critical to their welfare – including oil, gas and cereals – by increasing interest rates and by potential declines in demand for exports.

The UK government and other developed economies can point to the fact that the initial cause of these changes was the bottlenecks resulting from rapid growth after the easing of the pandemic. But now, just as the world economy was regaining some equilibrium, Russia's devastation of Ukraine's economy and infrastructure, along with the US, UK, EU and G7 sanctions on Russia, have injected a new surge in the prices of commodities, including on basic staples like wheat, that are critical to the welfare of the world. Although Vladimir Putin is the instigator of this latest crisis, the prevailing view among governments and citizens around much of the rest of the world is that NATO members and Russia are returning to Cold War confrontation irrespective of the knock-on effects on global welfare. Having been guilty of vaccine hoarding and, in the UK's case, cuts in overseas aid, it looks as though developed countries are again prioritizing their own strategic interests over their commitments to support the poorest around the world.

Although these challenges to the UK's global reputation are complex or intractable, the UK's international reputation need not be held hostage by them. Britain has considerable agency over perceptions of its global role. Among the liberal democracies, a critical part of this agency lies in the fact that the UK is an important contributor to their collective security, as noted above. Among the broader community of nations, positive perceptions of the UK benefit from the contributions of its many non-governmental actors to global public goods and positive international agendas. But, if the UK government is to leverage these attributes and avoid growing charges of double standards, it needs to ensure that it is reliably supporting the welfare of the lower-income populations around the world at a time when these are under severe threat. This will require the UK to follow through on the priorities it laid out in the Integrated Review to strengthen global resilience. Several opportunities stand out in 2022–23.

First, the UK retains the chair of the COP process through to the start of COP27, due to take place in Sharm El-Sheikh in November 2022. It can work with Egypt and other parties to raise further the level of national ambitions on reducing carbon emissions, as agreed in the Glasgow Climate Pact, ensuring that all countries – above all the entire G20 – have a net zero plan in place by the end of the year. The UK's own commitments put it in a strong place to play this leadership role, as illustrated in Figure 22.

Figure 22. 2030 emissions under new or updated NDCs, 1990/2005/2018, selected economies



Source: Climate Watch (2021) and UN Framework Convention on Climate Change, cited in Fransen, T. (2021), 'Making Sense of Countries' Paris Agreement Climate Pledges', World Resources Institute, 22 October 2021, <https://www.wri.org/insights/understanding-ndcs-paris-agreement-climate-pledges>.

Note: As of 12 October 2021.

The government also needs to ensure that by the start of 2023, and notwithstanding the new budgetary pressures resulting from the war in Ukraine, developed countries deliver the \$100 billion a year in international climate finance for developing countries promised in Glasgow, including the need to catalyse new public-private partnerships to fund the transition. And it must keep up the momentum for reform in the most critical sectors, such as coal and cars, and make progress in ending net net deforestation.

In addition, the government will need to ensure that it is not guilty of double standards in these areas. For example, it should ensure that the new BII fund compensates for the major cuts to the UK's earlier green infrastructure commitments, including the Impact Programme that focused on impact investing in Africa, which has been cut by some 75 per cent.¹⁶⁴

Another priority area must be global health. The UK has been one of the most successful countries in identifying the genetic sequence of new variants of COVID-19,¹⁶⁵ and one of the most generous in providing funding to CEPI and COVAX. But now it needs to go beyond trumpeting its scientific successes and financial pledges and take a leading role in ensuring that vaccines are distributed equitably around the world, by ramping up its financing of ACT-A¹⁶⁶ and WHO and by accelerating tech transfers for local vaccine production to developing countries. At the same time, the UK can follow through on the conclusions of its major 2019 study on combating the spread of antimicrobial resistance, by targeting

¹⁶⁴ Worley (2022), 'Tracking the UK's controversial aid cuts'.

¹⁶⁵ Furuse, Y. (2021), 'Genomic sequencing effort for SARS-CoV-2 by country during the pandemic', *International Journal of Infectious Diseases*, 103, pp. 305–307, <https://doi.org/10.1016/j.ijid.2020.12.034>; UK Health Security Agency and Department of Health and Social Care (2021), 'UK completes over one million SARS-CoV-2 whole genome sequences', press release, 11 October 2021, <https://www.gov.uk/government/news/uk-completes-over-one-million-sars-cov-2-whole-genome-sequences>.

¹⁶⁶ Launched in April 2020, the Access to COVID-19 Tools Accelerator (ACT-A) is a global collaboration to accelerate development and production of, and equitable access to, COVID-19 tests, treatments and vaccines.

its own development assistance and that of multilateral agencies and allies towards improving professional medical capacity in this area, optimizing the use of antimicrobial medicines in animals and farming as well as in humans, and improving levels of overall vaccination against diseases that require antimicrobial remedies.¹⁶⁷

One other area where the UK can combat perceptions of double standards and at the same time strengthen global resilience will be in completing rapidly the reform of its own and the global rules on financial transparency. This must include requirements for enforcing full transparency on the beneficial ownership of UK-registered companies, an issue that remains unresolved even after the passing of new sanctions laws on Russian companies and individuals. It should also curtail the capacity for UK-linked overseas tax havens to serve as refuges for and launderers of illicit finance; and create mandatory reporting requirements for British financial and legal institutions that will target cases of unexplained wealth and prevent these being laundered through London and other developed market financial systems.¹⁶⁸

Following Russia's invasion of Ukraine, the UK government belatedly sought to strengthen its 10 February legislation with an additional Economic Crime Bill (now enacted) to strengthen its capacity to tackle and prosecute illicit finance and unexplained wealth.¹⁶⁹ But without also dedicating far greater financial and human resources to domestic anti-kleptocracy and money-laundering agencies, those involved in these illicit activities will continue to buy their way out of trouble, and Britain's reputation for backing up its commitments to democratic security and good governance will continue to be compromised.

¹⁶⁷ HM Government (2019), *Tackling antimicrobial resistance 2019–2024*, 24 January 2019, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784894/UK_AMR_5_year_national_action_plan.pdf.

¹⁶⁸ Heathershaw et al. (2021), *The UK's kleptocracy problem*, pp. 47–49. See also House of Commons Foreign Affairs Committee, letter exchange between Tom Tugendhat MP and Rt Hon Dominic Raab MP, 29 June 2020 and 2 June 2020, <https://committees.parliament.uk/publications/1729/documents/16755/default>.

¹⁶⁹ Salchi, A. and Browning, S. (2022), 'Economic Crime (Transparency and Enforcement) Act 2022', Research Briefing, House of Commons Library, 23 March 2022, <https://commonslibrary.parliament.uk/research-briefings/cbp-9486>.

04 Conclusion

In an increasingly divided world, the UK needs to show that it is a reliable and robust member of the community of liberal democracies: one that follows through on its commitments and lives up to its stated values.

In the year since the release of the Integrated Review, the UK has taken important steps to pursue its four broad international priorities. It used its G7 presidency in 2021 to bring together a wider community of countries – including allies in the Indo-Pacific – that are committed to defending their own liberal democracies and to supporting others who adhere to a common set of values. This ‘G7 Plus’ is better able to challenge China in the development of critical technologies and global infrastructure, and has delivered a more powerful and concerted response to Russia’s invasion of Ukraine in February 2022 than might otherwise have been expected.

The UK has also been a leading contributor to the defence of the liberal democratic community, its second main objective. In the crisis with Russia over Ukraine, the UK has lived up to its ambition to be the leading European ally within NATO, and has been one of the most robust supporters of the embattled government in Kyiv in its struggle to resist the invasion and ensure Ukraine remains a sovereign country. It provided critical military assistance to Ukraine in the lead-up to Russia’s invasion, strengthened its military presence in the Baltics, and implemented coordination mechanisms and exercises among the northern European group of countries that form part of the Joint Expeditionary Force.

During 2021, the UK’s deployment of a carrier strike group to the Indo-Pacific, and a series of bilateral exercises and new security agreements, underscored the country’s parallel strategic ‘tilt’ to the region. The UK cannot persistently bring the same resources to bear in the Indo-Pacific as in Europe, but it has deepened its commitments to its allies in the region within the constraints of its resources.

The government’s record has been more mixed on its third objective, of promoting global resilience to the challenges of climate change, the COVID-19 pandemic and their impacts on poverty and inequality. The UK presided over a successful lead-up and conclusion to the November 2021 COP26 summit in

Glasgow. But it failed to mobilize the G7 to deploy COVID vaccines in anywhere close to the numbers needed by the most vulnerable low-income countries. Combined with the government's severe and sudden cuts to its ODA spending, the UK contributed to a growing divergence between the world's richest and poorest countries during 2021, with all the risks this holds for the future.

In terms of the Integrated Review's fourth objective, of ensuring the UK's international economic policy supports the welfare of British citizens, the government can point to its successful renegotiation on a bilateral basis of all the trade deals the UK previously enjoyed with third parties as an EU member. The subsequent opening and completion of negotiations on a small number of new bilateral agreements, along with steps to pursue regulatory innovation in the financial, digital and biotechnology sectors, represent an important down payment on the ambition to be a science and technology superpower, and on ensuring the UK remains one of the world's more competitive economies.

The urgent need to coordinate an effective response to Russia's invasion of Ukraine affords an opportunity to rebuild the relationship between the UK and the EU around the fundamental values and security interests that unite them.

In contrast, UK relations with its neighbours in the EU remained fragile and fractious throughout 2021. The UK focused its positive agenda almost exclusively on NATO and on bilateral relationships in Northern and Central Europe. At the start of 2022, there was a clear risk that relations with the EU would get worse before they get better, given the still rising barriers to the two sides' trade and broader economic interaction following the UK's exit from the European Single Market and Customs Union.

But the urgent need to coordinate an effective response to Russia's invasion of Ukraine affords an opportunity to rebuild the relationship between the UK and the EU around the fundamental values and security interests that unite them, as well as the deep economic interdependence that will always connect them. This means that the UK government needs to develop a positive agenda with the EU as an institution, and not just with individual EU member states or other selective groupings, as it has done recently with the Visegrád Four, for instance.¹⁷⁰

Given the EU's central role alongside NATO in responding to the grave threat from Russia, and the Biden administration's support for closer coordination between the two institutions, the UK could try to link its ideas for upgrading NATO's Strategic Concept in 2022 with the EU's new Strategic Compass and member states' growing commitments to strengthen Europe's defence capabilities. Allowing frictions to continue over bilateral trade and the Northern Ireland

¹⁷⁰ Prime Minister's Office, 10 Downing Street and The Rt Hon Boris Johnson MP (2022), 'UK - Visegrád Group (V4) Joint leaders' statement: 8 March 2022', press release, <https://www.gov.uk/government/news/uk-visegrad-group-v4-joint-leaders-statement-8-march-2022>.

Protocol would pointlessly undermine these opportunities and weaken both sides at a moment of acute danger.

The continuing centrality of the US, alongside the EU, to the UK's long-term security and economic well-being was captured in the signing, by President Biden and Prime Minister Johnson, of a new Atlantic Charter, just ahead of the G7 Carbis Bay Summit in June 2021. And, most recently, the close UK–US coordination on military and intelligence support to Kyiv in the lead-up to Russia's invasion of Ukraine has served as a reminder of one of the 'special' aspects of this bilateral relationship.

Even so, the UK needs to be wary of being over-reliant on the US relationship for its future. The Biden administration is investing far more effort than its predecessors in strengthening the US relationship with the EU, including in economic and regulatory areas that cut to the heart of the UK's own interests. The UK will inevitably be excluded from certain aspects of closer US–EU cooperation, as the world's two largest markets coordinate better on everything from digital trade to carbon border taxes, to ensure that their collective economic and political strength can stand up to challenges from their autocratic rivals.

This deepening of the US–EU relationship has been accelerated by the EU's unexpectedly strong response to Russia's invasion of Ukraine, and its willingness to coordinate with the US on common steps. If the US does turn away from the EU in the future – for instance as a result of a change in the political environment in Washington between now and 2024 – this will present more rather than fewer problems for the UK, as it would also signal a retreat by the US from the global priorities that the UK shares with the Biden administration as well as the rest of Europe.

The G7 Plus could become a vehicle for the UK to pursue its international priorities as a more equal partner alongside a wider community of allies.

For both these reasons, the UK needs to think truly globally when it talks about a community of liberal democracies. Having been at the centre, during its G7 presidency, of the initiative to link up the G7 with members of the Indo-Pacific Quad, the UK would benefit from investing continued effort in turning this nascent G7 Plus into a more stable and persistent grouping: one that is capable of and willing to build an open, transparent and sustainable global economy, protect the foundations of its members' own liberal democracies, and lend support to those countries committed to the same values and outcomes. Strengthening the coordination mechanisms and common purpose of this larger grouping could also help lessen the risks of the UK being sidelined by growing US–EU cooperation. Instead, the G7 Plus could become a vehicle for the UK to pursue its international priorities as a more equal partner alongside a wider community of allies.

The UK also now has the flexibility to negotiate and strike some new trade deals and sectoral arrangements with countries whose comparative advantages are complementary to those of the UK, some of which are struggling to

make progress with the EU. Although the net benefits of these deals will not compensate in the near term for the loss of barrier-free trade with the EU, they will help some specific businesses and sectors. But perhaps more importantly, given the current geopolitical context, they will strengthen the UK's diplomatic voice and geo-economic presence in parts of the world that are increasingly important to its foreign policy.

This means that the UK needs to focus its trade strategy in 2022–23 on those countries and regions that could be important partners in the intensifying division between Russia and China on the one hand, and the G7 Plus on the other. Completing entry to the CPTPP would send an important signal in this respect. So would undertaking trade deals with countries outside the UK's 'network of liberty', such as Egypt and Vietnam, which could yet be drawn into a network of autocratic states.

Finally, having promoted itself as a leading contributor to the resilience of the poorer members of the international community, the UK needs to live up to its commitments, whether on climate finance, on transfer of medical know-how, or on sustainable infrastructure investment. The disruptive spillovers from the COVID-19 pandemic, compounded now by spiking prices of essential commodities due to the conflict in Ukraine and sanctions on Russia, constitute a huge shock to the most vulnerable parts of the world. Leaders and citizens in the worst-affected countries will not forgive the UK and other developed democracies if they do not support them through this turmoil. The UK is especially open to charges of hypocrisy following the severe cuts to its foreign aid budget in 2021, as well as its poor record on refugees and asylum policy. These are not the hallmarks of a truly global Britain.

As the UK endeavours to make its mark as a more autonomous global actor post-Brexit, justifiable accusations of double standards and evidence of hypocrisy will be deeply damaging – not least for its much-valued soft power. Conversely, there will be few more precious assets in the future for Britain's influence in the world than a reputation for being a reliably robust member of the community of liberal democracies, and one that follows through consistently on its commitments.

About the author

Dr Robin Niblett has been the director and chief executive of Chatham House (the Royal Institute of International Affairs) since January 2007.

Before joining Chatham House, Robin was from 2001 to 2006 the executive vice-president and chief operating officer of the Washington-based Center for Strategic and International Studies (CSIS). During his last two years at CSIS, he also served as director of the CSIS Europe Programme and its Initiative for a Renewed Transatlantic Partnership.

He is currently co-chair of the World Economic Forum's Global Futures Council on Geopolitics. He served as chair of the experts group for the 2014 NATO Summit, and chair of the British Academy's Steering Committee of Languages for Security Project (2013).

Robin's publications include *Global Britain, global broker: A blueprint for the UK's future international role* (Chatham House, 2021), *Britain, the EU and the Sovereignty Myth* (Chatham House, 2016) and *America and a Changed World: A Question of Leadership* (Chatham House/Wiley-Blackwell, 2010).

His commentary and analysis have appeared in *Foreign Affairs*, the *Financial Times*, the *Washington Post*, the *Daily Telegraph* and the *Guardian*, among others.

He was appointed Companion of St Michael and St George (CMG) in the 2015 New Year's Honours. He received his BA in modern languages and MPhil and DPhil in international relations from New College, Oxford.

Acknowledgments

Trying to take a snapshot of a country's foreign policy at a particular moment is always a difficult proposition. In the case of the UK, it is all the more difficult to judge whether the government has lived up to the ambitions of a major new strategy for its international relations – the *Integrated Review of Security, Defence, Development and Foreign Policy* – just one year after its release. The multiple implications of Russia's full-scale invasion of Ukraine, on 24 February 2022, add further layers of complexity.

But it was important to undertake this assessment, both to take stock of the early impacts of the strategy and to consider how it might need to adapt in light of the dynamic international context. There is also a lot of interest beyond the UK in seeing how Britain is navigating these stormy international seas as a more autonomous mid-sized power with extensive global interests and responsibilities.

I am very grateful, therefore, to my many Chatham House colleagues who took time out of their own busy schedules to support work on this paper. Special thanks to David Lawrence, who joined the institute only very recently as a research fellow for our new initiative studying the UK's role in the world, and who provided extensive and invaluable input to the research behind this paper, including to the dataset and tables. Thanks also to Helen Parr and Angus Lapsley, who reviewed and offered very thoughtful comments and suggestions on the full draft of the paper. And, given the breadth of topics covered, I greatly appreciated, as always, my colleagues who provided detailed comments on specific sections, including Alice Billon-Galland, Creon Butler, Antony Froggatt, John Kampfner and Rob Yates.

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This paper sets the scene for the UK's newly launched UK in the World project, which will be one of Chatham House's main areas of focus in the coming years.

About the UK in the World project

Publication of this research paper marks the launch of Chatham House's UK in the World project. The project will bring together Chatham House's networks and expert research to identify key priorities, partners and pathways for the UK to project its values and interests, as well as learn from other countries, as it charts a course in an increasingly fractured and competitive world.

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Cover image: The front of 10 Downing Street, official residence and office of the UK prime minister, lit up in blue and yellow in an expression of solidarity with Ukraine, 24 February 2022.

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